This Annual Report is being furnished by Delta Tucker Holdings, Inc. pursuant to the Indenture governing DynCorp International, Inc.'s 10.375% Senior Unsecured Notes due 2017 and $720 million Senior Credit Facilities.

ANNUAL REPORT

For the period from April 1, 2010 (Inception) to December 31, 2010

DELTA TUCKER HOLDINGS, INC.

(Exact name of Company as specified in its charter)

Delaware	**27-2525959**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3190 Fairview Park Drive, Suite 700, Falls Church, Virginia 22042
(571) 722-0210
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

DELTA TUCKER HOLDINGS, INC.

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Forward-Looking Statements

This Annual Report contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our expectation or belief concerning future events. Without limiting the foregoing, the words "believes," "thinks," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties. Statements regarding the amount of our backlog and estimated total contract values are other examples of forward-looking statements. We caution that these statements are further qualified by important economic, competitive, governmental, international and technological factors that could cause our business, strategy, projections or actual results or events to differ materially, or otherwise, from those in the forward-looking statements. These factors, risks and uncertainties include, among others, the following:

- the future impact of mergers acquisitions, joint ventures or teaming agreements;
- our substantial level of indebtedness and changes in availability of capital and cost of capital;
- the outcome of any material litigation, government investigation, audit or other regulatory matters;
- policy and/or spending changes implemented by the Obama Administration, any subsequent administration or Congress;
- termination or modification of key United States ("U.S.") government or commercial contracts, including subcontracts;
- changes in the demand for services that we provide or work awarded under our contracts, including without limitation, the Civilian Police, International Narcotics and Law Enforcement, Worldwide Personal Protection Services and Logistics Civil Augmentation Program ("LOGCAP IV") contracts;
- pursuit of new commercial business in the U.S. and abroad;
- activities of competitors and the outcome of bid protests;
- changes in significant operating expenses;
- impact of lower than expected win rates for new business;
- general political, economic, regulatory and business conditions in the U.S. or in other countries in which we operate;
- acts of war or terrorist activities;
- variations in performance of financial markets;
- the inherent difficulties of estimating future contract revenue and changes in anticipated revenue from indefinite delivery, indefinite quantity contracts;
- the timing or magnitude of any award fee granted under our government contracts, including, but not limited to, LOGCAP IV;
- changes in expected percentages of future revenue represented by fixed-price and time-and-materials contracts, including increased competition with respect to task orders subject to such contracts;
- termination or modification of key subcontractor performance or delivery;
- lower than anticipated award fee determinations by the U.S. government; and
- statements covering our business strategy, those described in "Item 1A. Risk Factors" and other risks detailed from time to time in our reports posted to our website or made available publicly through other means.

Accordingly, such forward-looking statements do not purport to be predictions of future events or circumstances and therefore, there can be no assurance that any forward-looking statement contained herein will prove to be accurate. We assume no obligation to update the forward-looking statements.

Fiscal Year

We report the results of operations of Delta Tucker Holdings, Inc. and its consolidated subsidiaries using a 52-53 week basis ending on the Friday closest to December 31. This Annual Report reflects the financial results for the nine month period beginning at Delta Tucker Holdings, Inc.'s inception, April 1, 2010, and ended on December 31, 2010 ("Inception Year"). We refer to this period as "calendar year 2010" throughout this Annual Report. Delta Tucker Holdings, Inc. was formed for the purpose of acquiring DynCorp International Inc. ("DynCorp International") and had immaterial assets and virtually no operations, except for costs associated with acquiring DynCorp International, prior to the merger on July 7, 2010.

Also included in this Annual Report are financial statements for DynCorp International, which we acquired by merger on July 7, 2010. DynCorp International's historical fiscal year presentation was comprised of twelve consecutive fiscal months ended on the Friday closest to March 31 of each year. DynCorp International's last two completed fiscal years, prior to the merger on July 7, 2010, ended on April 2, 2010 (fiscal year 2010) and April 3, 2009 (fiscal year 2009). The three month period ended July 2, 2010 of DynCorp International, which is the last quarter completed prior to the merger on July 7, 2010, is referred to as the "fiscal quarter ended July 2, 2010". For clarity in this Annual Report, we refer to these fiscal periods of DynCorp International that ended prior to the merger as those of the "Predecessor". The financial statements of Delta Tucker Holdings, Inc. include stub period (July 3 through July 7, 2010) activity related to DynCorp International. We evaluated the transactions during the stub period and concluded that they were immaterial and did not warrant separate presentation.

PART I

ITEM 1. *BUSINESS.*

Unless the context otherwise indicates, references herein to "we," "our," "us," or "the Company" refer to Delta Tucker Holdings, Inc. and its consolidated subsidiaries. The Company was incorporated in the state of Delaware on April 1, 2010. On July 7, 2010, DynCorp International completed a merger with Delta Tucker Sub, Inc., a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger dated as of April 11, 2010, Delta Tucker Sub, Inc. merged with and into DynCorp International, with DynCorp International becoming the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). Holders of DynCorp International's stock received $17.55 in cash for each outstanding share in the Merger. Since Cerberus Capital Management, L.P. ("Cerberus") indirectly owns all of DynCorp International's outstanding equity, DynCorp International's stock ceased to be publicly traded as of the Merger. See further discussion in Note 2 to the Delta Tucker Holdings, Inc. consolidated financial statements.

The Delta Tucker Holdings, Inc. consolidated financial statements and the Predecessor DynCorp International Inc. consolidated financial statements have been prepared pursuant to accounting principles generally accepted in the United States of America ("GAAP").

Overview

We are a leading provider of specialized, mission-critical professional and support services outsourced by the U.S. military, non-military U.S. governmental agencies and foreign governments. Our specific global expertise is in law enforcement training and support, base and logistics operations, intelligence training, rule of law development, construction management, international development, ground vehicle support, counter-narcotics aviation, platform services and operations, linguist services and security services. We also provide logistics support for all our services. Through our predecessor companies, we have provided essential services to numerous U.S. government departments and agencies since 1951.

Our customers include the U.S. Department of Defense ("DoD"), the U.S. Department of State ("DoS"), the U.S. Agency for International Development ("USAID"), foreign governments, commercial customers and certain other U.S. federal, state and local government departments and agencies. Revenue from the U.S. government accounted for approximately 98% of total revenue during our Inception Year, and 98% and 95% of total DynCorp International revenue during fiscal years 2010, and 2009, respectively, excluding Global Linguist Solutions ("GLS"). GLS is excluded for comparative purposes due to GLS becoming an operationally integral unconsolidated equity method investee at the Merger date. See Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements for further discussion of the deconsolidation of GLS. Our contracts' revenue and percentage of total revenue from the U.S. government fluctuates from year to year. These fluctuations can be due to contract length or contract structure, such as with indefinite delivery, indefinite quantity type contracts ("IDIQ"). The majority of our contracts are awarded for one year base periods with subsequent option years available subject to changing governmental priorities. IDIQ type contracts are often awarded to multiple contractors and provide the opportunity for awarded contractors to bid on task orders issued under the contract.

Our business is aligned into three operating segments, two of which, Global Stabilization and Development Solutions ("GSDS") and Global Platform Support Solutions ("GPSS"), are wholly-owned, and a third segment, GLS, which is a 51% owned joint venture and accounted for as an operationally integral equity method investee. Our reporting segments are identical to our operating segments.

Contract Types

Our contracts typically have a term of three to ten years consisting of a base period of one year with multiple one-year options. Our contracts typically are awarded for an estimated dollar value based on the forecast of the work to be performed under the contract over its maximum life. In addition, we have historically received

additional revenue through increases in program scope beyond that of the original contract. These contract modifications typically consist of "over and above" requests derived from changing customer requirements and are reviewed by us for appropriate revenue recognition. The U.S. government is not obligated to exercise options under a contract after the base period. At the time of completion of the contract term of a U.S. government contract, the contract is re-competed to the extent that the service is still required.

Our contracts with the U.S. government or the government's prime contractor (to the extent that we are a subcontractor) generally contain standard, unilateral provisions under which the customer may terminate for convenience or default. U.S. government contracts generally also contain provisions that allow the U.S. government to unilaterally suspend us from obtaining new contracts pending resolution of alleged violations of procurement laws or regulations, reduce the value of existing contracts, issue modifications to a contract and control and potentially prohibit the export of our services and associated materials.

Most of our contracts are to provide services, rather than products, to our customers, resulting in the majority of costs being labor related. For this reason, we flexibly staff for each contract. If we lose a contract, we terminate or reassign the employees associated with the contract, hence cutting direct cost and overhead. The elimination of employees would not generate significant separation costs. Additionally, the indirect costs that are absorbed by any one contract could be absorbed by the remaining contracts without a significant impact to our business or competitiveness.

The types of services we perform also supports our scalability as our primary capital requirements are working capital related, which are variable with our overall revenue stream. The nature of our contracts does not generally require investments in fixed assets and we do not have significant fixed asset investments or significant agreements tied to a single contract upon which our business materially depends. Additionally, our contract mix gives us a degree of flexibility to utilize assets purchased for certain programs to be deployed on other programs in cases where the scope of our deliverables changes.

Our business generally is performed under fixed-price, time-and-materials or cost-reimbursement contracts. Each of these is described below.

- *Fixed-Price Type Contracts:* In a fixed-price contract, the price is not subject to adjustment based on costs incurred, which can favorably or adversely impact our profitability depending upon our execution in performing the contracted service. Our fixed-price contracts include firm fixed-price, fixed-price with economic adjustment, and fixed-price incentive.
- *Time-and-Materials Type Contracts:* Time-and-materials type contracts provide for acquiring supplies or services on the basis of direct labor hours at fixed hourly/daily rates plus materials at cost.
- *Cost-Reimbursement Type Contracts:* Cost-reimbursement type contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract, plus a fixed-fee, award-fee or incentive-fee. Award-fees or incentive-fees are generally based upon various objective and subjective criteria, such as aircraft mission capability rates and meeting cost targets.

Any of these three types of contracts discussed above may be executed under an IDIQ contract, which are often awarded to multiple contractors. An IDIQ contract does not represent a firm order for services. Our Civilian Police and Contract Field Teams programs are two examples of IDIQ contracts. During our Inception Year, 76% of our revenue were attributable to IDIQ contracts. In DynCorp International's fiscal years 2010, and 2009, 76%, and 73% of revenue, respectively, were attributable to IDIQ contracts. When a customer wishes to order services under an IDIQ contract, the customer issues a task order request for proposal to the contractor awardees. The contract awardees then submit proposals to the customer and task orders are typically awarded under a best-value approach. However, many IDIQ contracts permit the customer to direct work to a particular contractor. In some instances, the contractor may identify specific projects and propose to perform the service for a customer within the scope of the IDIQ contract, although the customer is not obligated to order the services.

Our historical contract mix by type, as a percentage of revenue, is indicated in the table below.

Contract Type	Delta Tucker Holdings, Inc. April 1, 2010 (Inception) through December 31, 2010	Predecessor Fiscal Quarter Ended July 2, 2010	Predecessor Fiscal Year 2010	Predecessor Fiscal Year 2009
Fixed-Price	27%	29%	33%	34%
Time-and-Materials	13%	14%	20%	32%
Cost-Reimbursement [1]	60%	57%	47%	34%
Totals	100%	100%	100%	100%

(1) The Intelligence and Security Command ("INSCOM") contract associated with GLS has been removed from all periods presented above due to GLS becoming an operationally integral unconsolidated equity method investee at the Merger date. See Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements for further discussion of the deconsolidation of GLS.

The task orders under the LOGCAP IV contract, which is described below under "Business Areas Teams — GSDS" are predominantly cost-reimbursement type task orders. We anticipate that revenue from cost-reimbursement type contracts will continue to represent a large and increasing portion of our business in future fiscal years. Cost-reimbursement type contracts typically carry lower margins than other contract types, but also carry lower risk of loss.

Under many of our contracts, we may rely on subcontractors to perform all or a portion of the services we are obligated to provide to our customers. We often enter into subcontract arrangements in order to meet government requirements that certain categories of services be awarded to small businesses. We use subcontractors primarily for specialized, technical labor and certain functions such as construction and catering.

Business Area Team ("BAT")

We group our various programs within each operating segment into BATs to manage, review and assess our business performance. Descriptions of our BATs by operating segments are as follows.

Global Stabilization and Development Solutions

GSDS provides a diverse collection of outsourced services primarily to government agencies worldwide. GSDS includes four BATs as described below:

Contingency Operations — This BAT provides U.S. military operations and maintenance support, including but not limited to; construction services, facilities management, electrical power, water, sewage and waste management, laundry operations, food services and transportation motor pool operations. LOGCAP IV is the most significant program in our Contingency Operations BAT.

Development — This BAT, which has been augmented by the acquisition of Casals and Associates, Inc. ("Casals"), supports U.S. foreign policy and international development priorities by assisting in the development of stable and democratic governments, implementing anti-corruption initiatives, and aiding the growth of democratic public and civil institutions. The services we provide include peacekeeping logistics support; humanitarian relief; weapons removal and abatement; worldwide contingency planning and other rapid response services; inventory procurement, property control and tracking services; mobile repair services; facility and equipment maintenance and control; and engineering and construction management services.

Intelligence Training and Solutions — This BAT was created as a result of the acquisition of Phoenix Consulting Group Inc. ("Phoenix") and provides proprietary training courses, management consulting and

augmentation services to the intelligence community and national security clients. As part of our proprietary training courses, we offer a highly specialized human intelligence ("HUMINT") course curriculum taught by cleared intelligence professionals to other intelligence, counterintelligence, special operations and law enforcement personnel.

Training, Mentoring and Security — This BAT provides international policing and police training, judicial support, immigration support and base operations. Under this BAT, we also provide senior advisors and mentors to foreign governmental agencies. In addition, we provide security and personal protection for diplomats and senior governmental officials.

Key GSDS Contracts

Logistics Civil Augmentation Program: The LOGCAP IV contract is a part of our Contingency Operations BAT, which was awarded to us in 2008. We were selected as one of the three prime contractors to provide logistics support under the LOGCAP IV contract. LOGCAP IV is the U.S. Army component of the DoD's initiative to award contracts to U.S. companies with a broad range of logistics capabilities to support U.S. and allied forces during combat, peacekeeping, humanitarian and training operations. The IDIQ contract has a term of up to ten years. Under LOGCAP IV, the U.S. Army contracts to perform selected services in a theater of operations to augment U.S. Army forces and release military units for other missions or to fill U.S. Army resource shortfalls. Our current task orders are primarily cost-reimbursement plus an award fee.

Civilian Police ("CivPol"): The CivPol program is a part of our Training, Mentoring and Security BAT, which was awarded to us by the DoS in February 2004. Through this program, we have deployed civilian police officers from the U.S. to several countries to train and offer logistics support to the local police and assist them with infrastructure reconstruction. Our first significant deployment of civilian police personnel began in the Balkans in 1996, where we helped train local police and provided support during the conflict. Our security trainers and mentors remained in the region through 2004. In addition, we have been awarded multiple task orders under the CivPol program, including assignments in Iraq and Afghanistan. Our current task orders are primarily time-and-materials and cost-reimbursement.

NATO Training Mission — Afghanistan ("NATM — A"): The NATM — A program is a part of the Training, Mentoring and Security BAT, which was awarded to us by DoD in December of 2010. The program was established with the goal of assisting the Government of the Islamic Republic of Afghanistan to build, develop, and sustain an effective and professional law enforcement organization. Through this program we will train and mentor the Afghans to manage all aspects of its police training within two years of the contract award. This program is primarily structured to provide cost-reimbursement type services.

Worldwide Personal Protection Service ("WPPS"): The WPPS program is a part of our Training, Mentoring and Security BAT. We provide protective service details to protect U.S. and foreign government senior officials in Iraq and Pakistan. We have provided personal protective services for the DoS since the WPPS program inception in 1996. Our current task orders are primarily time-and-materials and cost-reimbursement.

Combined Security Transition Command Afghanistan ("CSTC-A"): The CSTC-A program is a part of our Training, Mentoring and Security BAT. This program provides assistance to the CSTC-A and the North Atlantic Treaty Organization ("NATO") training mission by providing mentors and trainers to develop the Afghanistan Ministry of Defense ("MOD"). In addition to providing training, mentoring and security, we also provide subject matter expertise and programmatic support to CSTC-A staff and the Afghanistan MOD. This program supports development of the organizational capacity and capability to assist Afghanistan MOD and Afghan National Army forces in assuming full responsibility for their own security needs. The contractual services provided under this contract are cost-reimbursement type services.

Global Platform Support Solutions

GPSS provides a wide range of technical, engineering, logistics and maintenance support services primarily to government agencies worldwide. Additionally, GPSS provides services including drug eradication and host nation pilot and crew training. GPSS includes three BATs as described below:

Aviation — This BAT provides worldwide maintenance of aircraft fleet and ground vehicles, modification, repair, and logistics support on aircraft, aerial firefighting services, weapons systems, and related support equipment to the DoD and other U.S. government agencies Contract Field Teams ("CFT") is the most significant program in our Aviation BAT. This program deploys highly mobile, quick-response field teams to customer locations globally to supplement a customer's workforce. We have provided services under this program for over 58 consecutive years.

Air Operations — This BAT provides foreign assistance programs to help foreign governments improve their ability to develop and implement national strategies and programs to prevent the production, trafficking, and abuse of illicit drugs. International Narcotics and Law Enforcement Air-Wing ("INL") supports governments in multiple Latin American countries and provide support and assistance with interdiction services in Afghanistan. Also, this program provides intra theater transportation services for DoS personnel throughout Iraq and Afghanistan

Operations and Maintenance — This BAT provides maintenance, operations, support, life extension, engineering, marine services and program management services primarily for ground vehicles and docked ships. This includes the services we provide under the Mine Resistant Ambush Protected Vehicles Logistics Support ("MRAP") contract.

Key GPSS Contracts

INL Air Wing: The INL Air Wing program is a part of our Air Operations BAT. In May 2005, the DoS awarded us a contract in support of the INL program to aid in the eradication of illegal drug operations. This contract expires in October 2014. A similar program in Afghanistan began in 2006. Also, this program provides intra theater transportation services for DoS personnel throughout Iraq and Afghanistan. The majority of our contractual services are cost-reimbursement type services.

Contract Field Teams: The CFT program is a part of our Aviation BAT. We have provided services under this program for over 58 consecutive years. This program deploys highly mobile, quick-response field teams to customer locations to supplement a customer's workforce. The services we provide under the CFT program generally include mission support to aircraft and weapons systems and depot-level repair. The principal customer for our CFT program is the DoD. This contract has a $10.1 billion ceiling for multiple awardees over a seven-year term through September 2015. The majority of our current delivery orders are time-and-materials, but we also have cost-reimbursement and fixed-priced services.

Mine Resistant Ambush Protected Vehicle: The MRAP program is a part of our Operations and Maintenance BAT. Under the MRAP Vehicle program, we provide MRAP Vehicle on-site liaison and advisory services to military users with direct assistance in maintenance or repair operations. The MRAP vehicles are required to increase survivability and mobility of troops operating in a hazardous fire area against known threats such as small arms fire; rocket propelled grenades, and improvised explosive devices. The contract has recently evolved from fixed-price to time and materials.

Andrews Air Force Base: The Andrews Air Force Base program is a part of our Aviation BAT. Under the Andrews Air Force Base contract, we perform aviation maintenance and support services, which include full back shop support, organizational level maintenance, fleet fuel services, launch and recovery, supply and Federal Aviation Administration ("FAA") repair services. Under this program we oversee the management of the U.S. presidential air fleet (other than Air Force One). Our principal customer under this contract is the U.S. Air Force. We entered into this contract in January 2001. The majority of our contractual services are fixed-price.

Columbus Air Force Base ("Columbus AFB"): The Columbus AFB program is also a part of our Aviation BAT. We provide aviation and equipment maintenance and support services for T-37, T-38, T-1 and T-6 training aircraft in support of the Columbus AFB Specialized Undergraduate Pilot Training Program in Columbus, Mississippi. Our customer under this program is the U.S. Air Force — Air Education and Training Command and specifically the 14th Flying Training Wing. This contract provides for a firm fixed-price incentive fee with an incentive award fee. The performance period started October 2005 and runs through September 2012. We have completed a transition from the old T-37 primary trainer to the new T-6 turbo prop. Additionally, this 14th Flying Training Wing has one additional squadron of T-38s dedicated to fighter lead-in-training. The majority of our contractual services are fixed-price.

Sheppard Air Force Base: The Sheppard Air Force Base contract is a part of our Aviation BAT. Under the this program, we provide aircraft maintenance services for the 80th Flying Training Wing based at Sheppard Air Force Base in Wichita Falls, Texas. This contract has an initial base period of eleven months, and six option years. The mission of the Air Education and Training Command's 80th Flying Training Wing is to provide undergraduate pilot training for the U.S. and NATO allies in the Euro NATO Joint Jet Pilot Training program. Graduates of this prestigious program are assigned to fighter pilot positions in their respective air forces. The majority of our contractual services are fixed price.

California Department of Forestry: The California Department of Forestry program is a part of our Aviation BAT. We have been helping to fight fires in California since December 2001. We maintain aircraft, providing nearly all types and levels of maintenance — scheduled, annual, emergency repairs, and even structural depot level repair. McClellan Field in Sacramento is home base for our program mechanics, data entry staff, and quality control inspectors. In addition, we provide pilots who operate the fixed wing aircraft. Our current task orders are primarily time-and-materials.

C-21 Contractor Logistics Support ("C-21A CLS"): The C-21A CLS contract is a part of our Aviation BAT. Under the C-21A CLS we perform organizational, intermediate and depot level maintenance together with supply chain management for C-21A CLS ("Lear 35A") aircraft operated by the U.S. Air Force at seven main operating bases and one deployed location. The contract has time-and-materials and fixed-price portions.

War Reserve Materiel: The War Reserve Materiel contract is a part of our Operations and Maintenance BAT. Through this program, we provide management of the U.S. Air Force Southwest Asia War Reserve Materiel Pre-positioning program, which includes operations in Oman, Bahrain, Qatar, Kuwait and two locations in the United States (Albany, Georgia and Shaw Air Force base, South Carolina). We store, maintain and deploy assets such as tents, generators, vehicles, kitchens and medical supplies to deployed forces in the global war on terror. During Operation Enduring Freedom and Operation Iraqi Freedom, we sent teams into the field to assist in the setup of tent cities prior to the arrival of the deployed forces. The War Reserve Materiel program continues to partner with the U.S. Central Command Air Force in the development of new and innovative approaches to asset management. Our contract is primarily cost-reimbursement with a smaller portion of fixed-price services.

Global Linguist Solutions

GLS is a joint venture between DynCorp International and McNeil Technologies ("McNeil"), in which we have a 51% ownership interest. McNeil was previously owned by Veritas Capital LP, the largest holder of our Class A Common Stock before the Merger. In July 2010, AECOM Technology Corporation entered into a stock purchase agreement to acquire McNeil. The transaction was completed in August 2010. GLS currently and historically has had no other operations outside of performance on the INSCOM contract, which began services in 2008. All of our current INSCOM task orders are cost-reimbursement with an award fee. Our GLS operating segment is comprised of a single BAT, Linguistics & Translation. We have historically had strong performance on this contract, as represented by five consecutive 100% award fees during fiscal years 2010 and 2011 on all active task orders.

Linguistics & Translation: This BAT provides rapid recruitment, deployment and on-site management of interpreters and translators in-theatre for a wide range of foreign languages in support of the U.S. Army, unified commands attached forces, combined forces, and joint elements executing the Operation Iraqi Freedom ("OIF") mission, and other U.S. government agencies supporting the OIF mission.

Estimated Total Contract Value

The estimated total contract value represents amounts expected to be realized from the current award date to the current contract end date (i.e., revenue recognized to date plus backlog). For the reasons stated under "Item 1.A. Risk Factors," the estimated contract value or ceiling value specified under a government contract or task order is not necessarily indicative of the revenue that we will realize under that contract.

Key Contracts

The following table sets forth certain information for our principal contracts, including start and end dates and the principal customer for each contract as of December 31, 2010:

Contract	Segment	Principal Customer	Initial/Current Award Date	Current Contract End Date	Estimated Total Contract Value [1]
CivPol Program	GSDS	DoS	Feb 1994/Dec-10	Mar-12	$4.67 billion
INSCOM	GLS	U.S. Army	Dec-06	Apr-13	$3.78 billion
INL Air Wing	GPSS	DoS	Jan-01/May-05	Oct-14	$2.19 billion
LOGCAP IV	GSDS	U.S. Army	Apr-08	Apr-18	$2.06 billion
NATM-A	GSDS	U.S. Army	Dec-10	Apr-14	$1.04 billion
Contract Field Teams	GPSS	DoD	Oct 1951/Jul-08	Sep-15	$493 million
War Reserve Materiel	GPSS	U.S. Air Force	May-00/May-08	Sep-16	$469 million
Andrews Air Force Base	GPSS	U.S. Air Force	Jan-01	Mar-11	$372 million
WPPS	GSDS	DoS	Mar-00/June-05	Sep-14	$356 million
Columbus Air Force Base	GPSS	U.S. Air Force	Oct 1998/Oct-05	Sep-12	$298 million
CSTC-A	GSDS	US. Army	Feb-10	Mar-11	$280 million
Sheppard Air Force Base	GPSS	U.S. Air Force	Sep-09	Sep-16	$256 million
California Department of Forestry	GPSS	State of California	Dec-01/Jul-08	Dec-14	$254 million
MRAP	GPSS	DoD	Sep-07	Jan-12	$242 million
C-21 Contractor Logistics Support	GPSS	U.S. Air Force	Sep-06	Sep-11	$200 million

(1) Estimated total contract value has the meaning indicated in "Estimated Total Contract Value" above and is not necessarily representative of the amount of work we will actually be awarded under the contract. Contract value can grow over time based on IDIQ task orders and/or contract extensions.

Competition

We compete with various entities across geographic and business lines based on a number of factors, including services offered, experience, price, geographic reach and mobility. Most activities in which we engage are highly competitive and require we have highly skilled and experienced technical personnel to compete. Some of our competitors may possess greater financial and other resources or may be better positioned to compete for certain contract opportunities. We believe that our principal competitors include Civilian Police International, Science Applications International Corporation, ITT Corporation, KBR, Inc., IAP Worldwide Services, Xe Inc., Triple Canopy Inc., Fluor Corporation, Lockheed Martin Corporation, AECOM, United Technologies Corporation, L-3 Holdings, Aerospace Industrial Development Corporation, Al Salam Aircraft Company Ltd., Mission Essential Personnel, Northrop Grumman, Computer Sciences Corporation, Lear Siegler, and Serco

Group Plc. We believe that the primary competitive factors for our services include reputation, technical skills, past contract performance, experience in the industry, cost competitiveness and customer relationships.

Backlog

We track backlog in order to assess our current business development effectiveness and to assist us in forecasting our future business needs and financial performance. Our backlog consists of funded and unfunded amounts under contracts. Funded backlog is equal to the amounts actually appropriated by a customer for payment of goods and services less actual revenue recognized as of the measurement date under that appropriation. Unfunded backlog is the actual dollar value of unexercised, priced contract options and the unfunded portion of exercised contract options. Most of our U.S. government contracts allow the customer the option to extend the period of performance of a contract for a period of one or more years. These priced options may or may not be exercised at the sole discretion of the customer. Historically, it has been our experience that the customer has typically exercised contract options.

Firm funding for our contracts is usually made for one year at a time, with the remainder of the contract period consisting of a series of one-year options. As is the case with the base period of our U.S. government contracts, option periods are subject to the availability of funding for contract performance. The U.S. government is legally prohibited from ordering work under a contract in the absence of funding. Our historical experience has been that the government has typically funded the option periods of our contracts.

The following table sets forth our approximate backlog as of the dates indicated:

(Amounts in millions)	Delta Tucker Holdings, Inc. As of December 31, 2010	Predecessor [1] As of April 2, 2010
GSDS:		
Funded backlog	$1,188	$ 978
Unfunded backlog	1,976	510
Total GSDS backlog	$3,164	$1,488
GPSS:		
Funded backlog	$ 635	$ 661
Unfunded backlog	983	1,090
Total GPSS backlog	$1,618	$1,751
CONSOLIDATED:		
Funded backlog	$1,823	$1,639
Unfunded backlog	2,959	1,600
Total consolidated backlog	$4,782	$3,239

(1) As described in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements, GLS was deconsolidated and became an operationally integral equity method investee on July 7, 2010. For comparative purposes we excluded GLS total backlog of $1.9 billion and $2.3 billion as of December 31, 2010 and April 2, 2010, respectively.

Regulatory Matters

Contracts with the U.S. government are subject to a multitude of regulatory requirements, including but not limited to the Federal Acquisition Regulation ("FAR"), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government and the Defense Federal Acquisition Regulation supplement ("DFARs"). Under U.S. government regulations, certain costs, including certain financing costs,

portions of research and development costs, lobbying expenses, certain types of legal expenses and certain marketing expenses related to the preparation of bids and proposals, are not allowed for pricing purposes and calculation of contract reimbursement rates under cost-reimbursement contracts. The U.S. government also regulates the methods by which allowable costs may be allocated under U.S. government contracts.

Our international operations and investments are subject to U.S. government laws, regulations and policies, including the International Traffic in Arms Regulations, Export Administration Act, the Foreign Corrupt Practices Act and other export laws and regulations. We must also comply with foreign government laws, regulations and procurement policies and practices, which may differ from U.S. government regulation, including import-export control, investments, exchange controls, repatriation of earnings and requirements to expend a portion of program funds in-country. In addition, embargoes, international hostilities and changes in currency values can also impact our international operations.

Our government contracts are subject to audits at various points in the contracting process. Pre-award audits are performed at the time a proposal is submitted to the U.S. government for cost-reimbursement contracts. The purpose of a pre-award audit is to determine the basis of the bid and provide the information required for the U.S. government to negotiate the contract effectively. In addition, the U.S. government may perform a pre-award audit to determine our capability to perform under a contract. During the performance of a contract, the U.S. government has the right to examine our costs incurred on the contract, including any labor charges, material purchases and overhead charges. Upon a contract's completion, the U.S. government performs an incurred cost audit of all aspects of contract performance for cost-reimbursement contracts to ensure that we have performed the contract in a manner consistent with our proposal and FAR. The government also may perform a post-award audit for proposals that are subject to the Truth in Negotiations Act, which are proposals in excess of $650,000, to determine if the cost proposed and negotiated was accurate, current and complete as of the time of negotiations.

The Defense Contract Audit Agency ("DCAA") performs these audits on behalf of the U.S. government. The DCAA also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our labor, billing, accounting, purchasing, property, estimating, budgeting & planning, indirect and direct costs, compensation, and management information systems. The DCAA has the right to perform audits on our incurred costs on all flexibly priced contracts on an annual basis. We have DCAA auditors on-site to monitor our billing and back office operations. An adverse finding under a DCAA audit could result in the disallowance of costs under a U.S. government contract, termination of U.S. government contracts, forfeiture of profits, suspension of payments, fines and suspension and prohibition from doing business with the U.S. government. In the event that an audit by the DCAA recommends disallowance of our costs under a contract, we have the right to appeal the findings of the audit under applicable dispute resolution provisions. Approval of submitted yearly contract incurred costs can take from one to five years from the date of submission of the contract costs. All of our incurred indirect costs for U.S. government contracts completed through fiscal year 2004 have been audited by the DCAA and negotiated by the Defense Contract Management Agency. The audits, for which such costs were incurred during subsequent periods, are continuing. See "Item 1.A. Risk Factors — A negative audit or other actions by the U.S. government could adversely affect our operating performance".

At any given time, many of our contracts are under review by the DCAA and other government agencies. We cannot predict the outcome of such ongoing audits and what, if any, impact such audits may have on our future operating performance.

Over the last few years, U.S. government contractors, including our Company, have seen a trend of increased scrutiny by the DCAA and other U.S. government agencies. If any of our internal control systems or policies are found non-compliant or inadequate, payments may be suspended under our contracts or we may be subjected to increased government scrutiny that could delay or adversely affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government. These adverse outcomes could also occur if the DCAA cannot complete timely periodic reviews of our control systems, which could then render the status of these systems as "not reviewed".

Sales and Marketing

We market our services to U.S. and foreign governments, including their military branches. We also market our services to other prime contractors who have contracts with the U.S. and foreign governments in certain instances where our competencies help to deliver effective solutions. We position our sales and marketing personnel to cover key accounts such as the DoS and the DoD, as well as market segments which hold the most promise for aggressive growth.

We participate in national and international tradeshows, particularly as they apply to aviation services, logistics, contingency support, and defense. We are also an active member in several organizations related to services contracting, such as the Professional Services Council.

We are leveraging our experience and capability in providing value added and complementary services to companies that require support in remote and hazardous regions of the globe.

Our sales and marketing personnel help to establish a presence in select market segments that hold the most promise for aggressive growth. These activities support our objective to be the leading global government services provider in support of U.S. national security and foreign policy objectives.

Intellectual Property

We hold an exclusive, perpetual, irrevocable, worldwide, royalty-free and fully paid license to use the "Dyn International" and "DynCorp International" names in connection with aviation services, security services, technical services and marine services. We also own various licenses for names associated with Phoenix Consulting Group, Inc. ("Phoenix") and Casals. Additionally, we own various registered domain names, patents, trademarks and copyrights. Because most of our business involves providing services to government entities, our operations generally are not substantially dependent upon obtaining and/or maintaining copyright, patents, or trademark protections, although our operations make use of such protections and benefit from them.

Environmental Matters

Our operations include the use, generation and disposal of petroleum products and other hazardous materials. We are subject to various U.S. federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe and healthy workplace for our employees, contractors and visitors. We have written procedures in place and believe we have been and are in substantial compliance with environmental laws and regulations, and we have no liabilities under environmental requirements that would have a material adverse effect on our business, results of operations or financial condition. We have not incurred, nor do we expect to incur, material costs relating to environmental compliance.

Employees

As of December 31, 2010, we had approximately 23,000 personnel in the 36 countries we have operations, which included approximately 1,000 affiliates from our GLS segment. Employees represented by labor unions totaled approximately 2,800. We consider our relationships with our employees inclusive of our union employees to be good.

ITEM 1A. *RISK FACTORS.*

The risks described below should be carefully considered, together with all of the other information contained in this Annual Report. Any of the following risks could materially and adversely affect our financial condition or results of operations.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our debt obligations.

We are highly leveraged. As of December 31, 2010, our total indebtedness was approximately $1,024 million. We had an additional $109 million available for borrowing under our revolving credit facility (after giving effect to approximately $41 million of outstanding letters of credit) and the terms of the senior secured credit facilities permit us to increase the amount available under our term loan and/or revolving credit facilities by up to $275 million if we are able to obtain loan commitments from banks and satisfy certain other conditions, including our having capacity to incur such indebtedness under the indenture governing our notes.

Our high degree of leverage could have important consequences for you, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow for other purposes, including for our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under our new senior secured credit facilities, will be at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Our interest expense could increase if interest rates increase above the stated LIBOR floor levels in our new senior secured credit facilities because the entire amount of the indebtedness under our new senior secured credit facilities bears interest at a variable rate. At December 31, 2010, we had approximately $569 million aggregate principal amount of variable rate indebtedness under our new senior secured credit facilities. A 100 basis point increase over the LIBOR floor levels would increase our annual interest expense by approximately $5.7 million.

Despite our high indebtedness level, we and our subsidiaries still may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our debt obligations contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

In addition to the $109 million which is available to us for borrowing under our revolving credit facility (after giving effect to approximately $41 million of outstanding letters of credit as of December 31, 2010), the terms of our senior secured credit facilities enable us to increase the amount available under our term loan and/or revolving credit facilities by up to an aggregate of $275 million if we are able to obtain loan commitments from banks and satisfy certain other conditions, including our having capacity to incur such indebtedness under the indenture governing our notes. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we face would increase. In addition, the agreements governing our debt obligations do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our debt agreements contain, and the agreements governing any future indebtedness we incur may contain, various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the covenants in our senior secured credit facilities require us to maintain a maximum total leverage ratio and minimum interest coverage ratio, and limit our capital expenditures. A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions under our indenture and, in the case of our revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under our senior secured credit facilities, the lenders could elect to declare all amounts outstanding under our senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under our senior secured credit facilities. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, the proceeds from the sale or foreclosure upon such assets will first be used to repay debt under our senior secured credit facilities and we may not have sufficient assets to repay our unsecured indebtedness thereafter, including our notes.

We rely on sales to U.S. government entities. A loss of contracts, a failure to obtain new contracts or a reduction of sales or award fees under existing contracts with the U.S. government could adversely affect our operating performance and our ability to generate cash flow to fund our operations.

We derive substantially all of our revenue from contracts and subcontracts with the U.S. government and its agencies, primarily the DoD and the DoS. The remainder of our revenue is derived from commercial contracts and contracts with foreign governments. We expect that U.S. government contracts, particularly with the DoD and the DoS, will continue to be our primary source of revenue for the foreseeable future. The continuation and renewal of our existing government contracts and new government contracts are, among other things, contingent upon the availability of adequate funding for various U.S. government agencies, including the DoD and the DoS. Changes in U.S. government spending could directly affect our operating performance and lead to an unexpected

loss of revenue. The loss or significant reduction in government funding of a large program in which we participate could also result in a material decrease to our future sales, earnings and cash flows. U.S. government contracts are also conditioned upon the continuing approval by Congress of the amount of necessary spending. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract periods of performance may extend over many years. Consequently, at the beginning of a major program, the contract is usually partially funded, and additional monies are normally committed to the contract by the procuring agency only as appropriations are made by Congress for future fiscal years. Among the factors that could impact U.S. government spending and reduce our federal government contracting business include:

- policy and/or spending changes implemented by the Obama administration;
- a significant decline in, or reapportioning of, spending by the U.S. government, in general, or by the DoD or the DoS, in particular;
- changes, delays or cancellations of U.S. government programs, requirements or policies;
- the adoption of new laws or regulations that affect companies that provide services to the U.S. government;
- U.S. government shutdowns or other delays in the government appropriations process;
- curtailment of the U.S. government's outsourcing of services to private contractors including the expansion of insourcing;
- changes in the political climate, including with regard to the funding or operation of the services we provide; and
- general economic conditions, including a slowdown in the economy or unstable economic conditions in the United States or in the countries in which we operate.

These or other factors could cause U.S. government agencies to reduce their purchases under our contracts, to exercise their right to terminate our contracts in whole or in part, to issue temporary stop-work orders or to decline to exercise options to renew our contracts. The loss or significant curtailment of our material government contracts, or our failure to renew existing contracts or enter into new contracts could adversely affect our operating performance and lead to an unexpected loss of revenue.

Our U.S. government contracts may be terminated by the U.S. government at any time prior to their completion and contain other unfavorable provisions, which could lead to an unexpected loss of revenue and a reduction in backlog.

Under the terms of our contracts, the U.S. government may unilaterally:

- terminate or modify existing contracts;
- reduce the value of existing contracts through partial termination;
- delay or withhold the payment of our invoices by government payment offices;
- audit our contract-related costs and fees; and
- suspend us from receiving new contracts, pending the resolution of alleged violations of procurement laws or regulations.

The U.S. government can terminate or modify any of its contracts with us either for its convenience or if we default by failing to perform under the terms of the applicable contract. A termination arising out of our default could expose us to liability and adversely affect our operating performance and lead to an unexpected loss of revenue.

Our U.S. government contracts typically have an initial term of one year with multiple option periods, exercisable at the discretion of the government at previously negotiated prices. The government is not obligated to exercise any option under a contract. Furthermore, the government is typically required to compete all programs and, therefore, may not automatically renew a contract. In addition, at the time of completion of any of our government contracts, the contract is frequently required to be re-competed if the government still requires the services covered by the contract.

If the U.S. government terminates and/or materially modifies any of our contracts or if option periods are not exercised, our failure to replace revenue generated from such contracts would result in lower revenue and would likely adversely affect our earnings, which could have a material effect on our financial condition and results of operations.

Our U.S. government contracts are subject to competitive bidding, both upon initial issuance and re-competition. If we are unable to successfully compete in the bidding process or if we fail to win re-competitions, it could adversely affect our operating performance and lead to an unexpected loss of revenue.

Substantially all of our U.S. government contracts are awarded through a competitive bidding process upon initial award and renewal, and we expect that this will continue to be the case. There is often significant competition and pricing pressure as a result of this process. The competitive bidding process presents a number of risks, including the following:

- we may expend substantial funds and time to prepare bids and proposals for contracts that may ultimately be awarded to one of our competitors;
- we may be unable to accurately estimate the resources and costs that will be required to perform any contract we are awarded, which could result in substantial cost overruns; and
- we may encounter expense and delay if our competitors protest or challenge awards of contracts, and any such protest or challenge could result in a requirement to resubmit bids on modified specifications or in the termination, reduction or modification of the awarded contract. Additionally, the protest of contracts awarded to us may result in the delay of program performance and the generation of revenue while the protest is pending.

The government contracts for which we compete typically have multiple option periods, and if we fail to win a contract or a task order, we generally will be unable to compete again for that contract for several years. If we fail to win new contracts or to receive renewal contracts upon re-competition, it may result in additional costs and expenses and possible loss of revenue, and we will not have an opportunity to compete for these contract opportunities again until such contracts expire.

Because of the nature of our business, it is not unusual for us to lose contracts to competitors or to gain contracts once held by competitors during re-compete periods.

Additionally, some contracts simply end as projects are completed or funding is terminated. We have included our most significant contracts by reportable segment in our key contract table in “Item 1. Business.” Contract end dates are included within the tables to better inform investors regarding the potential impact for our most significant contracts for this risk.

Economic conditions could impact our business.

Our business may be adversely affected by factors in the U.S. and other countries that are beyond our control, such as disruptions in the financial markets or downturns in the economic activity in specific countries or regions, or in the various industries in which we operate. These factors could have an adverse impact in the availability of capital and cost of capital, interest rates, tax rates, or regulations in certain jurisdictions. If for any

reason we lose access to our currently available lines of credit, or if we are required to raise additional capital, we may be unable to do so in the current credit and stock market environment, or we may be able to do so only on unfavorable terms. Adverse changes to financial conditions could jeopardize certain counterparty obligations, including those of our insurers and financial institutions.

In particular, if the Federal government, due to budgetary considerations, accelerates the expected reduction in combat troops from Iraq, fails to sustain the troop increases in Afghanistan, reduces the DoD Operations and Maintenance budget or reduces funding for DoS initiatives in which we participate, our business, financial condition and results of operations could be adversely affected.

Furthermore, although we believe that our current sources of liquidity will enable us to continue to perform under our existing contracts and further grow our business, we cannot assure you that will be the case. A longer term credit crisis could adversely affect our ability to obtain additional liquidity or refinance existing indebtedness on acceptable terms or at all, which could adversely affect our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for additional discussion regarding liquidity.

Our operations involve considerable risks and hazards. An accident or incident involving our employees or third parties could harm our reputation, affect our ability to compete for business, and if not adequately insured or indemnified, could adversely affect our results of operations and financial condition.

We are exposed to liabilities that arise from the services we provide. Such liabilities may relate to an accident or incident involving our employees or third parties, particularly where we are deployed on-site at active military installations or in locations experiencing political or civil unrest, or they may relate to an accident or incident involving aircraft or other equipment we have serviced or used in the course of our business. Any of these types of accidents or incidents could involve significant potential claims of injured employees and other third parties and claims relating to loss of or damage to government or third-party property.

We maintain insurance policies that mitigate risk and potential liabilities related to our operations. Our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. Substantial claims in excess of our related insurance coverage could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Furthermore, any accident or incident for which we are liable, even if fully insured, may result in negative publicity which could adversely affect our reputation among our customers, including our government customers, and the public, which could result in the loss of existing and future contracts or make it more difficult to compete effectively for future contracts. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Political destabilization or insurgency in the regions in which we operate may have a material adverse effect on our operating performance.

Certain regions in which we operate are highly unstable. Insurgent activities in the areas in which we operate may cause further destabilization in these regions. There can be no assurance that the regions in which we operate will continue to be stable enough to allow us to operate profitably or at all. During the Inception Year and fiscal years 2010 and 2009, revenue generated from our operations in the Middle East contributed 75%, 73% and 63% of our revenue, respectively. Insurgents in Iraq and Afghanistan have targeted installations where we have personnel, and these insurgents have contributed to instability in these countries. This could impair our ability to attract and deploy personnel to perform services in either or both locations. In addition, we may be required to increase compensation to our personnel as an incentive to deploy them to these regions. Historically we have been able to recover this added cost under the contracts, but there is no guarantee that future increases, if required, will be able to be transferred to our customers through our contracts. To the extent that we are unable to transfer such increased compensation costs to our customers, our operating margins would be adversely impacted, which could adversely affect our operating performance.

In addition, increased insurgent activities or destabilization, including civil unrest or a civil war in Iraq or Afghanistan, may lead to a determination by the U.S. government to halt or substantially reduce our operations in a particular location, country or region and to perform the services using military personnel. Furthermore, in extreme circumstances, the U.S. government may decide to terminate all or substantially reduce U.S. government activities, including our operations under U.S. government contracts in a particular location, country or region and to withdraw all or a substantial number of military personnel. Congressional pressure to reduce, if not eliminate, the number of U.S. troops in Iraq or Afghanistan may also lead to U.S. government procurement actions that reduce or terminate the services and support we provide in that theater of conflict. Any of the foregoing could adversely affect our operating performance and may result in additional costs and loss of revenue.

We are exposed to risks associated with operating internationally.

A large portion of our business is conducted internationally. Consequently, we are subject to a variety of risks that are specific to international operations, including the following:

- export controls regulations that could erode profit margins or restrict exports;
- compliance with the U.S. Foreign Corrupt Practices Act;
- the burden and cost of compliance with foreign laws, treaties and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- foreign currency fluctuations;
- import and export duties and value added taxes;
- transportation delays and interruptions;
- uncertainties arising from foreign local business practices and cultural considerations;
- requirements by foreign governments that we locally invest a minimum level as part of our contracts with them, which may not yield any return; and
- potential military conflicts, civil strife and political risks.

We cannot ensure our current adopted measures will reduce the potential impact of losses resulting from the risks of our foreign business.

Our IDIQ contracts are not firm orders for services, and we may never receive revenue from these contracts, which could adversely affect our operating performance.

Many of our government contracts are IDIQ contracts, which are often awarded to multiple contractors. The award of an IDIQ contract does not represent a firm order for services. Generally, under an IDIQ contract, the government is not obligated to order a minimum of services or supplies from its contractor, irrespective of the total estimated contract value. Furthermore, under an IDIQ contract, the customer develops requirements for task orders that are competitively bid against all of the contract awardees, usually under a best-value approach. However, many contracts also permit the government customer to direct work to a specific contractor. Our Civilian Police, Contract Field Team and LOGCAP IV programs are three of our contracts performed under IDIQ contracts. We may not win new task orders under these contracts for various reasons, such as failing to rapidly deploy personnel or high prices, which would have an adverse effect on our operating performance and may result in additional expenses and loss of revenue. There can be no assurance that our existing IDIQ contracts will result in actual revenue during any particular period or at all. During our Inception Year, 76% of our revenue were attributable to IDIQ contracts. In DynCorp International's fiscal years 2010, and 2009, 76%, and 73% of revenue, respectively, were attributable to IDIQ contracts.

Our cost of performing under time-and-materials and fixed-price contracts may exceed our revenue, which would result in a recorded loss on the contracts.

Our government contract services have three distinct pricing structures: cost-reimbursement, time-and-materials and fixed-price. With cost-reimbursement contracts, so long as actual costs incurred are within the contract funding and allowable under the terms of the contract, we are entitled to reimbursement of the costs plus a stipulated fixed-fee and, in some cases, an incentive-based award fee. We assume additional financial risk on time-and-materials and fixed-price contracts, because of the stipulated prices or negotiated hourly/daily rates. As such, if we do not accurately estimate ultimate costs and control costs during performance of the work, we could lose money on a particular contract or have lower than anticipated margins. Also, we assume the risk of damage or loss to government property, and we are responsible for third-party claims under fixed-price contracts. The failure to meet contractually defined performance standards may result in a loss of a particular contract or lower-than-anticipated margins. This could adversely affect our operating performance and may result in additional costs and possible loss of revenue.

A negative audit or other actions by the U.S. government could adversely affect our operating performance.

At any given time, many of our contracts are under review by the DCAA, DCMA, and other government agencies. These agencies review our contract performance, cost structure, and/or compliance with applicable laws, regulations and standards. Such agency audits may include contracts under which we have performed services in Iraq and Afghanistan under especially demanding circumstances.

The government agencies also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our labor, billing, accounting, purchasing, property, estimating, billing, compensation, information technology, indirect and other direct costs, and management information systems. An example of a review outcome would be: if any costs are found to be improperly allocated to a specific contract they will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts. Any negative results from any audit of our control systems and policies by the DCAA or any other government agency, including any findings that we have not complied with any required policies or procedures, could delay or materially adversely affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government and could have a material adverse effect on our operating performance. See "Item 3. Legal Proceedings," and Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements, in "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

We are subject to investigation by the government agencies, which could result in our inability to receive government contracts and could adversely affect our future operating performance.

As a U.S. government contractor operating domestically and internationally, we must comply with laws and regulations relating to U.S. government contracting, as well as domestic and international laws. From time to time, we are investigated by government agencies with respect to our compliance with these laws and regulations. If we are found to be in violation of the law, we may be subject to civil or criminal penalties or administrative sanctions, including contract termination, the assessment of penalties and suspension or prohibition from doing business with U.S. government agencies. For example, many of the contracts we perform in the U.S. are subject to the Service Contract Act, which requires hourly employees to be paid certain specified wages and benefits. If the U.S. Department of Labor determines that we violated the Service Contract Act or its implementing regulations, we could be suspended from being awarded new government contracts or renewals of existing contracts for a period of time, which could adversely affect our future operating performance. We are subject to a greater risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities than companies with solely commercial customers. In addition, if an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions,

including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government.

Furthermore, our reputation could suffer serious harm if allegations of impropriety were made against us. If we were suspended or prohibited from contracting with the U.S. government, or any significant U.S. government agency, if our reputation or relationship with U.S. government agencies was impaired or if the U.S. government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, it could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

U.S. government contractors like us that provide support services in theaters of conflict such as Iraq and Afghanistan have come under increased scrutiny by the agency of inspector generals, government auditors and congressional committees. Investigations pursued by any or all of these groups may result in adverse publicity for us and consequent reputational harm, regardless of the underlying merit of the allegations being investigated. As a matter of general policy, we have cooperated and expect to continue to cooperate with government inquiries of this nature.

The expiration of our collective bargaining agreements could result in increased operating costs or work disruptions, which could potentially affect our operating performance.

As of December 31, 2010, we had approximately 23,000 personnel, of which approximately 1,000 affiliates were from our GLS segment. Employees represented by labor unions totaled approximately 2,800. As of December 31, 2010, we had approximately 20 collective bargaining agreements with these unions. The length of these agreements varies, with the longest expiring in February 2014. There can be no assurance that we will not experience labor disruptions associated with the expiration or renegotiation of collective bargaining agreements or otherwise. We could experience a significant disruption of operations and increased operating costs as a result of higher wages or benefits paid to union members, which could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Proceedings against us in domestic and foreign courts could result in legal costs and adverse monetary judgments, adversely affecting our operating performance and causing harm to our reputation.

We are involved in various claims and lawsuits from time to time. For example, we are a defendant in two consolidated lawsuits seeking unspecified damages brought by citizens and certain provinces of Ecuador. The basis for the actions, both pending in the U.S. District Court for the District of Columbia, arises from our performance of a DoS contract for the eradication of narcotic plant crops in Colombia. The lawsuits allege personal injury, property damage and wrongful death as a consequence of the spraying of narcotic crops along the Colombian border adjacent to Ecuador. In the event that a court decides against us, in these lawsuits, and we are unable to obtain indemnification from the U.S. Government, or contributions from the other defendants, we may incur substantial costs, which could have a material adverse effect on our results. An adverse ruling in these cases could also adversely affect our reputation and have a material adverse effect on our ability to win future government contracts.

Other litigation in which we are involved includes wrongful termination and other adverse employment actions, breach of contract, personal injury and property damage actions filed by third parties. Actions involving third-party liability claims generally are covered by insurance; however, in the event our insurance coverage is inadequate to cover such claims, we will be forced to bear the costs arising from a judgment. We do not have insurance coverage for adverse employment and breach of contract actions, and we bear all costs associated with such litigation and claims.

We are subject to certain U.S. laws and regulations, which are the subject of rigorous enforcement by the U.S. government; our noncompliance with such laws and regulations could adversely affect our future operating performance.

We may be subject to qui tam litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status could significantly reduce our future revenue and profits.

To the extent that we export products, technical data and services outside the United States, we are subject to U.S. laws and regulations governing international trade and exports, including but not limited to, the International Traffic in Arms Regulations, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the Department of the Treasury. Failure to comply with these laws and regulations could result in civil and/or criminal sanctions, including the imposition of fines upon us as well as the denial of export privileges and debarment from participation in U.S. government contracts.

We do business in certain parts of the world that have experienced, or may be susceptible to, governmental corruption. Our corporate policy requires strict compliance with the U.S. Foreign Corrupt Practices Act and with local laws prohibiting payments to government officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment. Improper actions by our employees or agents could subject us to civil or criminal penalties, including substantial monetary fines, as well as disgorgement, and could damage our reputation and, therefore, our ability to do business.

Competition in our industry could limit our ability to attract and retain customers or employees, which could result in a loss of revenue and/or a reduction in margins, which could adversely affect our operating performance.

We compete with various entities across geographic and business lines. Competitors of our GSDS operating segment are typically various solution providers that compete in any one of the service areas provided by those business units. Competitors of our GPSS operating segment are typically large defense services contractors that offer services associated with maintenance, training and other activities. Competitors of our GLS operating segment are typically contractors that provide services in Iraq and Afghanistan or companies that provide language interpretation and translation services both domestically and internationally.

We compete on a number of factors, including our broad range of services, geographic reach, mobility and response time. Foreign competitors may obtain an advantage over us in competing for U.S. government contracts and attracting employees to the extent we are required by U.S. laws and regulations to remit to the U.S. government statutory payroll withholding amounts for U.S. nationals working on U.S. government contracts while employed by our majority-owned foreign subsidiaries, since foreign competitors may not be similarly obligated by their governments.

Some of our competitors may have greater resources or are otherwise better positioned to compete for contract opportunities. For example, original equipment manufacturers that also provide aftermarket support services have a distinct advantage in obtaining service contracts for aircraft they have manufactured, as they frequently have better access to replacement and service parts, as well as an existing technical understanding of the platform they have manufactured. In addition, we are at a disadvantage when bidding for contracts up for re-competition for which we are not the incumbent provider, because incumbent providers are frequently able to capitalize on customer relationships, technical knowledge and pricing experience gained from their prior service.

In addition to the competition we face in bidding for contracts and task orders, we must also compete to attract the skilled and experienced personnel integral to our continued operations. We hire from a limited pool of

potential employees, as military and law enforcement experience, specialized technical skill sets and security clearances are prerequisites for many positions. Our failure to compete effectively for employees, or excessive attrition among our skilled personnel, could reduce our ability to satisfy our customers' needs and increase the costs and time required to perform our contractual obligations. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Loss of our skilled personnel, including members of senior management, may have an adverse effect on our operations and/or our operating performance.

Our continued success depends in large part on our ability to recruit and retain the skilled personnel necessary to serve our customers effectively, including personnel with extensive military and law enforcement training and backgrounds. The proper execution of our contract objectives depends upon the availability of quality resources, especially qualified personnel. Given the nature of our business, we have substantial need for personnel who are willing to work overseas, frequently in locations experiencing political or civil unrest, for extended periods of time and often on short notice. We may not be able to meet the need for qualified personnel as such need arises.

In addition, we must comply with provisions in U.S. government contracts that require employment of persons with specified work experience and security clearances. An inability to maintain employees with the required security clearances could have a material adverse effect on our ability to win new business and satisfy our existing contractual obligations, and could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

The loss of services of any of the members of our senior management could adversely affect our business until a suitable replacement can be found. There may be a limited number of personnel with the requisite skills to serve in these positions, and we may be unable to locate and employ such qualified personnel on acceptable terms.

If our subcontractors or joint venture partners fail to perform their contractual obligations, then our performance as the prime contractor and our ability to obtain future business could be materially and adversely impacted.

Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. These subcontractors generally perform niche or specialty services for which they have more direct experience, such as construction, catering services or specialized technical services, or they have local knowledge of the region in which we will be performing and the ability to communicate with local nationals and assist in making arrangements for commencement of performance. Often, we enter into subcontract arrangements in order to meet government requirements to award certain categories of services to small businesses. A failure by one or more of our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. Such subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

We often enter into joint ventures so that we can jointly bid and perform on a particular project. The success of these and other joint ventures depends, in large part, on the satisfactory performance of the contractual obligations by our joint venture partners. If our partners do not meet their obligations, the joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

Environmental laws and regulations may subject us to significant costs and liabilities that could adversely affect our operating performance.

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the U.S., these laws and regulations include those governing the management and disposal of hazardous substances and wastes and the maintenance of a safe workplace, primarily associated with our aviation services activities, including painting aircraft and handling substances that may qualify as hazardous waste, such as used batteries and petroleum products. In addition to U.S. federal laws and regulations, states and other countries where we do business have numerous environmental, legal and regulatory requirements by which we must abide. We could incur substantial costs, including clean-up costs, as a result of violations of, or liabilities under, environmental laws. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

Our business strategy contemplates pursuing additional strategic acquisitions of complementary businesses and service lines. Acquisition transactions require substantial management resources and may disrupt our business and divert our management from other responsibilities. Acquisitions are accompanied by other risks, including:

- the difficulty of integrating the operations and personnel of the acquired companies;
- the inability of our management to maximize our financial and strategic position by the successful incorporation of acquired personnel into our programs;
- we may not realize anticipated synergies or financial growth;
- we may assume material liabilities that were not identified during due diligence, including potential regulatory penalties resulting from the acquisition target's previous activities;
- difficulty maintaining uniform standards, controls, procedures and policies, with respect to accounting matters and otherwise;
- the potential loss of key employees of acquired companies;
- acquisitions may require us to invest significant amounts of cash resulting in dilution of stockholder value;
- the impairment of relationships with employees and customers as a result of changes in management and operational structure; and
- acquisitions may require us to invest significant amounts of cash resulting in dilution of stockholder value.

Any inability to successfully integrate the operations and personnel associated with an acquired business and/or service line may harm our business and results of operation.

We may not be able to continue to deploy or sell our helicopter assets.

We have approximately $18.6 million in helicopter assets comprised of 13 UH-1HP "Huey" helicopters and two MD530F helicopters. Due to the past military history of these helicopters and the associated restricted certification status with the Federal Aviation Administration ("FAA"), the helicopters are limited to Public Use applications (police, fire or movement of our personnel and supplies on programs). We deployed six of our Huey helicopters, with a carrying value of $8.1 million, on the LOGCAP IV program in January 2011. Although we believe we will be able to continue to deploy these helicopters on the LOGCAP IV program until fully depreciated, we have no guarantee that the program will continue to need these assets or that we will be able to continue deploy these assets until that time.

We plan to sell the remaining seven Huey helicopters and two MD530F helicopters and do not currently intend to use them on other programs. These helicopter assets are classified as held for sale. We have no

guarantee that we will be able to successfully sell these assets or if we are unable to sell them, deploy them on other programs. The inability to sell or deploy the remaining helicopters could lead to a material impairment charge in the future.

We are controlled by Cerberus, who will be able to make important decisions affecting our business.

All of our common stock is indirectly owned by funds and/or managed accounts that are affiliates of Cerberus. As a result, Cerberus is entitled to elect all of our directors, to appoint new management and to approve actions requiring the approval of the holders of our capital stock, including adopting amendments to our certificate of incorporation and approving mergers or sales of substantially all of our assets.

The interests of Cerberus and its affiliates may differ from those of our other investors in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, Cerberus and its affiliates, as equity holders, may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks. Additionally, our debt agreements permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Cerberus may have an interest in our doing so.

We may compete with, or enter into transactions with, entities in which our controlling stockholder holds a substantial interest.

Cerberus is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us. In particular, IAP Worldwide Services, Inc. ("IAP"), an entity in which Cerberus holds a controlling equity interest, may compete with us for certain contracts and other opportunities. Further, Steven F. Gaffney, the Chairman of our Board of Directors and our Chief Executive Officer, also serves as the Chairman of the Board of IAP. Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to us as well as to Cerberus or IAP or their respective affiliates, including through potential acquisitions of competing businesses. Any competition could intensify if an affiliate or subsidiary of Cerberus, including IAP, were to enter into or acquire a business similar to ours. Cerberus is under no obligation to communicate or offer any corporate opportunity to us, even if such opportunity might reasonably have been expected to be of interest to us or our subsidiaries.

In addition, we may in the future make investments in, enter into co-investment or joint venture arrangements with, enter into business combinations with or otherwise collaborate with and invest in other firms or entities, such as our affiliates, including Cerberus or IAP.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS.***

Not applicable.

ITEM 2. *PROPERTIES.*

We are headquartered in Falls Church, Virginia with major administrative offices in Fort Worth, Texas. As of December 31, 2010, we leased 32 commercial facilities in 7 countries used in connection with the various services rendered to our customers. Lease expirations range from month-to-month to ten years. Upon expiration of our leases, we do not anticipate any difficulty in obtaining renewals or alternative space. Many of our current leases are non-cancelable. We do not own any real property.

The following locations represent our primary leased properties as of December 31, 2010.

Location	Description	Business Segment	Size (sq ft)
Fort Worth, TX	Executive offices — finance and administration	Headquarters	194,335
Salalah Port, Oman	Warehouse and storage — WRM contract	GSDS	125,000
Falls Church, VA	Executive offices — headquarters	Headquarters	105,814
Alexandria, VA	Executive offices — ITS Business Area	GSDS	54,712
Kabul, Afghanistan	Offices and residence	GSDS	42,008
Brevard, FL	Offices-INL Airwing contract	GPSS	27,215
McClellan, CA	Warehouse — California Fire Program	GPSS	18,800
Dubai, UAE	Executive offices — finance and administration	Headquarters	18,021
Alexandria, VA	Executive offices — Casals division	GSDS	14,174
Oman	Offices and residence — supports WRM contract	GSDS	13,778

We believe that substantially all of our property and equipment is in good condition, subject to normal use and that our facilities have sufficient capacity to meet the current and projected needs of our business.

ITEM 3. *LEGAL PROCEEDINGS.*

Information required with respect to this item is set forth in Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements, in "Item 8. Financial Statements and Supplementary Data" of this Annual Report and is incorporated herein by reference.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Not applicable.

ITEM 6. *SELECTED FINANCIAL DATA.*

Historical Financial Information

The selected historical consolidated financial data for our Inception Year ended December 31, 2010, and the Predecessor's fiscal quarter ended July 2, 2010 and fiscal years ended April 2, 2010, April 3, 2009, March 28, 2008 and March 30, 2007 is presented in the table below. These amounts have been revised for the effects of the restatement described in Notes 18 and 19 to the DynCorp International consolidated financial statements.

This information should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", the Delta Tucker Holdings, Inc. consolidated financial statements and related notes thereto and the Predecessor consolidated financial statements and related notes thereto, included elsewhere in this Annual Report.

	Delta Tucker Holdings, Inc.	Predecessor					
	April 1, 2010 (Inception) through	Fiscal Quarter Ended	Fiscal Year Ended				
(Dollars in thousands)	December 31, 2010	July 2, 2010	April 2, 2010	April 3, 2009	March 28, 2008	March 30, 2007
Results of operations:						
Revenue	$ 1,697,706	$ 944,713	$ 3,572,459	$ 3,092,974	$ 2,140,231	$ 2,086,515
Cost of services	(1,544,184)	(856,974)	(3,225,250)	(2,766,969)	(1,860,419)	(1,818,787)
Selling, general and administrative expenses	(78,024)	(38,513)	(106,401)	(103,277)	(118,567)	(107,339)
Merger expenses incurred by Delta Tucker Holdings, Inc.	(51,722)	—	—	—	—	—
Depreciation and amortization	(25,776)	(10,263)	(41,639)	(40,557)	(42,173)	(43,401)
Earnings from unconsolidated affiliates	10,337	—	—	—	—	—
Operating income	8,337	38,963	199,169	182,171	119,072	116,988
Interest expense	(46,845)	(12,585)	(55,650)	(58,782)	(54,894)	(58,484)
Bridge commitment fee incurred by Delta Tucker Holdings, Inc.	(7,963)	—	—	—	—	—
Interest on mandatory redeemable shares	—	—	—	—	—	(3,002)
Loss on early extinguishment of debt, net	—	—	(146)	(4,131)	—	(9,201)
Interest income	420	51	542	2,195	3,062	1,789
Other income, net	1,872	658	5,194	4,997	6,610	3,229
Provision for income taxes	7,881	(9,279)	(47,035)	(39,756)	(28,434)	(21,904)
Net (loss) income	(36,298)	17,808	102,074	86,694	45,416	29,415
Noncontrolling interests	(1,361)	(5,004)	(24,631)	(20,876)	3,306	—
Net (loss) income attributable to Delta Tucker Holdings, Inc./Predecessor	$ (37,659)	$ 12,804	$ 77,443	$ 65,818	$ 48,722	$ 29,415
Net cash (used in) provided by operating activities	$ (27,089)	$ 21,723	$ 90,473	$ 140,871	$ 42,361	$ 86,836
Net cash used in investing activities	(878,218)	(2,874)	(88,875)	(9,148)	(11,306)	(7,595)
Net cash provided by (used in) financing activities	957,844	(5,433)	(79,387)	(16,880)	(48,131)	2,641
Balance sheet data (end of period):						
Cash and cash equivalents	52,537	135,849	122,433	200,222	85,379	102,455
Working capital [(1)]	349,715	468,828	408,232	431,381	353,325	278,986
Total assets	2,263,355	1,785,899	1,780,894	1,545,446	1,411,885	1,372,758
Total debt (including Series A Preferred Stock of Predecessor)	1,024,212	552,209	552,147	599,912	593,162	630,994
Total equity attributable to Delta Tucker Holdings, Inc./Predecessor	512,975	591,417	577,702	496,413	427,129	382,056
Total equity	517,326	596,359	583,524	507,149	423,823	382,056
Other financial data:						
Purchases of property and equipment and software [(2)]	8,323	2,874	46,046	7,280	7,738	9,317
Backlog [(3)]	4,782	2,989	3,239	3,231	2,443	2,783

(1) Working capital is defined as current assets, net of current liabilities.

(2) Fiscal year 2010 includes approximately $39.7 million of costs associated with helicopters purchased in anticipation of use under our International Narcotics and Law Enforcement ("INL") Air Wing program.

(3) Backlog data is as of the end of the applicable period. See "Item 1. Business" for further details concerning backlog.

Pro Forma and Historical Financial Information

The following unaudited pro forma consolidated statement of operations for the twelve months ended December 31, 2010 has been derived from or developed by applying certain pro forma adjustments, including the combination of the historical information from Delta Tucker Holdings, Inc. for the periods from April 1, 2010 (Inception) through December 31, 2010 and the historical information from DynCorp International for the periods from January 2, 2010 through July 2, 2010. The pro forma results of operations give effect to the Merger as if it had occurred on January 2, 2010 in order to provide a basis for comparison to the full fiscal year ended April 2, 2010 of the Predecessor. Assumptions underlying the pro forma adjustments are described in the accompanying note to the table below.

	Delta Tucker Holdings, Inc.	Predecessor
(Dollars in thousands)	Pro Forma Twelve Months Ended December 31, 2010 [1]	Fiscal Year Ended April 2, 2010
Results of operations:		
Revenue	$ 3,387,149	$ 3,572,459
Cost of services	(3,090,165)	(3,225,250)
Selling, general and administrative expenses	(131,376)	(106,401)
Merger expenses incurred by Delta Tucker Holdings, Inc.	(51,722)	—
Depreciation and amortization	(51,552)	(41,639)
Earnings from unconsolidated affiliates	19,946	—
Operating income	82,280	199,169
Interest expense	(92,751)	(55,650)
Bridge commitment fee incurred by Delta Tucker Holdings, Inc.	(7,963)	—
Loss on early extinguishment of debt, net	—	(146)
Interest income	504	542
Other income, net	4,317	5,194
Income before income taxes	(13,613)	149,109
Benefit/(provision) for income taxes	4,898	(47,035)
Net (loss) income	(8,715)	102,074
Noncontrolling interests	(3,121)	(24,631)
Net (loss) income attributable to Delta Tucker Holdings, Inc./ Predecessor	$ (11,836)	$ 77,443

(1) Pro forma January 2, 2010 through December 31, 2010 Delta Tucker Holdings, Inc. was calculated assuming the Merger occurred on January 2, 2010, resulting in the following pro forma adjustments to the combined Delta Tucker Holdings, Inc. Inception Year statement of operations and the statements of operations for DynCorp International for the fiscal quarters ended April 2, 2010 and July 2, 2010: (i) assumes the deconsolidation of GLS from DI's financial statements occurred on January 2, 2010; (ii) adjusts for depreciation/amortization based on the fair value basis of accounting applied at the Merger date; (iii) adjusts for interest expense based on the new Senior Credit Facility and New Senior Unsecured Notes issued as of the Merger; and (iv) Represents the revised estimated tax provision utilizing the statutory federal and state income tax rate of 35.98% for the calendar year ended December 31, 2010.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the Delta Tucker Holdings, Inc. consolidated financial statements and related notes thereto, the Predecessor DynCorp International consolidated financial statements and related notes thereto, and other data contained elsewhere in this Annual Report. Please see "Item 1A. Risk Factors" and "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions associated with these statements. Unless otherwise noted, all amounts discussed herein are consolidated. All references in this Annual Report to fiscal years of the United States ("U.S.") government pertain to the fiscal year, which ends on September 30th of each year.

Company Overview

We are a leading provider of specialized mission-critical professional and support services for the U.S. military, non-military U.S. governmental agencies and foreign governments. Our specific global expertise is in law enforcement training and support, security services, base and logistics operations, intelligence training, rule of law development, construction management, platform services and operations, and linguist services. We also provide logistics support for all our services. Through our Predecessor entities, we have provided essential services to numerous U.S. government departments and agencies since 1951. Our current customers include the U.S. Department of Defense ("DoD"), the Department of State ("DoS"), foreign governments, commercial customers and certain other U.S. federal, state and local government departments and agencies.

As of December 31, 2010, we had approximately 23,000 personnel, including approximately 1,000 affiliates from our GLS segment. We operate in 36 countries through approximately 67 active contracts ranging in duration from three to ten years and approximately 113 active task orders.

Our business is aligned into three operating segments, two of which, Global Stabilization and Development Solutions ("GSDS") and Global Platform Support Solutions ("GPSS"), are wholly-owned, and a third segment, GLS, which is a 51% owned joint venture, is deconsolidated. Our reporting segments are identical to our operating segments.

We report the results of our operations using a 52-53 week basis ending on the Friday closest to December 31. This Annual Report reflects our financial results for the nine month period beginning at our inception, April 1, 2010, and ended on December 31, 2010 ("Inception Year"). We refer to this period as "calendar year 2010" throughout this Annual Report.

Delta Tucker Holdings, Inc. was formed for the purpose of acquiring DynCorp International Inc. ("DynCorp International") and had immaterial assets and virtually no operations, except for costs associated with acquiring DynCorp International, prior to the merger on July 7, 2010.

Also included in this Annual Report are financial statements for DynCorp International, which we acquired by merger on July 7, 2010. DynCorp International's historical fiscal year presentation was comprised of twelve consecutive fiscal months ended on the Friday closest to March 31 of each year. DynCorp International's last two completed fiscal years, prior to the merger on July 7, 2010, ended on April 2, 2010 (fiscal year 2010) and April 3, 2009 (fiscal year 2009). The three month period ended July 2, 2010 of DynCorp International, which is the last quarter completed prior to the merger on July 7, 2010, is referred to as the "fiscal quarter ended July 2, 2010". For clarity in this Annual Report, we refer to these fiscal periods of DynCorp International that ended prior to the merger as those of the "Predecessor". The financial statements of Delta Tucker Holdings, Inc. include stub period (July 3 through July 7, 2010) activity related to DynCorp International. We evaluated the transactions during the stub period and concluded that they were immaterial and did not warrant separate presentation.

Current Operating Environment and Outlook

External Factors

U.S. government dependency on civilian contractors, particularly in international hot zones, continues to provide multiple opportunities in the market segments we pursue. The increased complexity of missions conducted by the U.S. military and the DoS demand continued contractor support. In addition, as the peacekeeping missions of organizations like USAID, the United Nations, NATO, and NGOs develop and grow, new and expanded service contracting opportunities are expected to surface.

The overall level of U.S. defense spending has increased in recent years for numerous reasons, including increases in funding of operations in Iraq and Afghanistan and the DoD's modernization initiatives; however, funding for operations in Iraq has decreased in the last few years due to the drawdown of U.S. troops. The funding of our programs is subject to the overall U.S. government budget and appropriation decisions and processes which are driven by numerous factors, including geo-political events and macroeconomic conditions, and are beyond our control. While these dynamics could place pressure on defense spending, we believe that, within the defense budget, weapon system acquisitions will be the most likely initial target for budget reductions, and operations and maintenance budgets will remain robust, driven by (i) the need to reset equipment coming out of Iraq, (ii) the logistics and support chain associated with repositioning of forces and drawdown in Iraq and (iii) deployments into Afghanistan. Furthermore, we believe the following industry trends will result in continued strong demand in our target markets for the types of outsourced services we provide:

- the continued transformation of military forces, leading to increased outsourcing of non-combat functions, including life-cycle asset management functions ranging from organizational to depot level maintenance;
- an increased level and frequency of overseas deployment and peacekeeping operations for the DoS, USAID, the United Nations, and even DoD;
- increased maintenance, overhaul and upgrade needs to support aging military platforms;
- increased outsourcing by foreign governments of maintenance, supply support, facilities management, infrastructure upgrades, and construction management-related services; and
- a shift by the U.S. government from single award to more multiple award IDIQ contracts, which may offer us an opportunity to increase revenue under these contracts by competing for task orders with the other contract awardees.

During 2009, the U.S. began to drawdown troops in Iraq. Although troops remain in Iraq, the drawdown continues and is uncertain as to when it will be complete. As a result, we expect our level of existing business involving Iraq to diminish over the next three to five years. Nevertheless, we believe that we still have opportunities to win new Iraq based business with demand remaining strong over the next three to five years for logistics, equipment reset, training and mentoring of Iraqi forces and government agencies, and translation services to support security and peacekeeping activities.

On the other hand, we believe we are well positioned in Afghanistan to capitalize on increased U.S. government focus through many of our programs, including police training and mentoring, aircraft logistics and operations, infrastructure development, mine resistant and ambush protected or "MRAP" services, and logistics services under LOGCAP IV. Additionally, although some specific initiatives and priorities may change from year to year, the investments and acquisitions we made have been focused on aligning our business to address areas that have high growth potential, including intelligence training and rule of law development. Nevertheless, the possibility remains that one or more of our programs could be reduced, postponed, or terminated as a result of the Obama administration's assessment of priorities.

Current Economic Conditions

We believe that our industry and customer base are less likely to be affected by many of the factors generally affecting business and consumer spending. Our contract awards typically last one to five years and we have a strong history of being awarded a majority of the contract options. Additionally, since our primary customer is the federal government, we have not historically had significant issues with bad debt. However, we cannot be certain that the economic environment or other factors will not adversely impact our business, financial condition or results of operations in the future.

Furthermore, we believe that our primary sources of liquidity such as customer collections and the new Senior Credit Facility (as defined below) will enable us to continue to perform under our existing contracts and further grow our business. However, a longer term credit crisis could adversely affect our ability to obtain additional liquidity or refinance existing indebtedness on acceptable terms or at all, which could adversely affect our business, financial condition and results of operations.

See "Item 1A. Risk Factors — Economic conditions could impact our business" for a discussion of the risks associated with the economic condition.

Inception Year Notable Events

- On April 1, 2010 we filed our certificate of incorporation with the State of Delaware.
- In April 2010, we entered into an Agreement and the Plan of Merger with DynCorp International, which Merger was completed on July 7, 2010.
- In June 2010, the stockholders of DynCorp International Inc. approved the proposal to adopt the Plan of Merger.
- In June 2010, DynCorp International was notified that it lost the re-compete on the Life Cycle Contractor Support ("LCCS") program with the U.S. Army.
- On July 7, 2010, we completed the Merger. See Note 2 to the Delta Tucker Holdings, Inc. consolidated financial statements for additional information about the Merger.
- In August 2010, our former President and Chief Executive Officer William Ballhaus and former Chief Financial Officer Michael Thorne resigned, and were replaced by new Chairman and Chief Executive Officer Steven Gaffney and new Chief Financial Officer William Kansky. The resulting severance and other related costs incurred in the third quarter of calendar year 2010 were recorded in Selling, general & administrative expenses in the Delta Tucker Holdings, Inc. consolidated statement of operations.
- In August 2010, we began operations on the CSTC-A program which has annual revenue potential of over $75 million and will be reported under our GSDS segment as a part of our Training & Mentoring BAT.
- In September 2010, the Iraq based CivPol task order was extended through March 2011.
- In September 2010, we put seven of the thirteen helicopters, slated to be deployed on the LOGCAP IV program, up for sale. We deployed six helicopters on the LOGCAP IV program in January 2011. In total, we have nine helicopters that are held for sale as of December 31, 2010.
- In September 2010, we received $9.5 million as a result of a claim filed, which we recognized as revenue during calendar year 2010.
- In October 2010, we made a $20.4 million investment contribution to GLS. Our GLS partner, McNeil Technologies, made a $19.6 million contribution to GLS as well. These investments allowed GLS to pay off and extinguish the note payable to us. Effective October 2010, GLS was no longer a guarantor under our new Senior Credit Facility or new senior unsecured notes.
- In December 2010, we were awarded the NATO Training Mission Afghanistan contract by the U.S. Army. The total contract value for the thirty-six months is approximately $1.0 billion, which we expect

to generate higher revenue than the Afghanistan CivPol task order under which we have historically provided similar services. This contract is also expected to yield lower profit margins as it is structured with more cost reimbursement type elements than those originally experienced with the CivPol Afghanistan contract which included both cost reimbursement and time and material elements.

- In December 2010, we received notification of our award fee performance on the LOGCAP IV contract related to operations in Kuwait and Afghanistan.
- In December 2010, we received a $34.1 million tax refund from the Internal Revenue Service (“IRS”). In January 2011, we received an additional $46.0 million. The combined $80.1 million refund related to an approved change in accounting method (“CIAM”) as further described in Note 4 to the Delta Tucker Holdings, Inc. consolidated financial statements.

Delta Tucker Holdings, Inc. Results of Operations — April 1, 2010 (Inception) Through December 31, 2010

Consolidated Results

	Delta Tucker Holdings, Inc.	
(Amounts in thousands)	April 1, 2010 (Inception) through December 31, 2010	
Revenue	$ 1,697,706	100.0%
Cost of services	(1,544,184)	(91.0%)
Selling, general and administrative expenses	(78,024)	(4.6%)
Merger expenses incurred by Delta Tucker Holdings, Inc.	(51,722)	(3.0%)
Depreciation and amortization expense	(25,776)	(1.5%)
Earnings from unconsolidated affiliates	10,337	0.6%
Operating income	8,337	0.5%
Interest expense	(46,845)	(2.8%)
Bridge commitment fee incurred by Delta Tucker Holdings, Inc	(7,963)	(0.5%)
Interest income	420	0.0%
Other income, net	1,872	0.2%
Loss before income taxes	(44,179)	(2.6%)
Benefit for income taxes	7,881	0.5%
Net loss	(36,298)	(2.1%)
Noncontrolling interests	(1,361)	(0.1%)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (37,659)	(2.2%)

Revenue — Revenue was $1,697.7 million for the nine months ended December 31, 2010. Revenue was primarily driven by revenue from our Contingency Operations BAT within our GSDS segment, which yielded a fully ramped-up LOGCAP IV Afghanistan task order and award fee recognition on the LOGCAP IV program. See further discussion in our results by segments below.

Cost of services — Costs of services are comprised of direct labor, direct material, subcontractor costs, travel, supplies and other miscellaneous costs. Cost of services was $1,544.2 million for the nine months ended December 31, 2010. As a percentage of revenue, Cost of services was 91.0%, primarily driven by the contribution of relatively lower margin revenue from our LOGCAP IV program.

Selling, general and administrative expenses (“SG&A”) — SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing, and business development. SG&A expenses were $78.0 million for the nine months ended December 31, 2010. SG&A expenses were comprised primarily of $39.4 million in labor costs and

severance related costs of $7.5 million in association with our former CEO and CFO. SG&A also includes legal defense and settlement costs. In future periods we expect SG&A expenses to reduce as a percentage of revenue as a result of specific cost cutting and reorganization activities during the first quarter of calendar year 2011.

Merger Expenses incurred by Delta Tucker Holdings, Inc. — Merger expenses incurred by Delta Tucker Holdings, Inc. relate to legal cost and deal fees directly associated with the Merger, other than the bridge commitment fee which is discussed separately below. These expenses are non-recurring.

Depreciation and amortization — Depreciation and amortization were $25.8 million for the nine months ended December 31, 2010. The expense consist of monthly amortization expenses recognized since the Merger date based on the carrying values of customer related intangibles recorded from acquisition accounting and amortization related to the cost basis of pre-Merger assests.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates of $10.3 million includes our proportionate share of equity method investees deemed to be an extension of our BATs and operationally integral to our business. The majority of earnings from unconsolidated affiliates are primarily attributable to GLS.

Interest expense — Interest expense was $46.8 million for the nine months ended December 31, 2010. Interest expense was driven by amortization of deferred financing costs and our average outstanding debt from the new Senior Credit facility (the "Senior Credit Facility"), and the new Senior Unsecured notes (the "Senior Unsecured Notes"). Pre-Merger interest was $12.7 million

Bridge commitment fee incurred by Delta Tucker Holdings, Inc. — Bridge commitment fees relate to costs associated with a bridge financing arrangement which expired upon issuance of the notes issued in connection with the Merger.

Other Income, net — Other income was $1.9 million and includes our share of earnings from unconsolidated joint ventures that are not operationally integral to our business as well as gains/losses from foreign currency and asset sales.

Benefit for income taxes — Benefit for income taxes was a net benefit of $7.9 million primarily due to the pre-tax loss driven by the Merger expenses and bridge commitment fees incurred by Delta Tucker Holdings, Inc.

Results by Segment

The following tables set forth the revenue for our GSDS, GPSS and GLS operating segments, both in dollars and as a percentage of our consolidated revenue as well as operating income for our operating segments along with segment operating margin, for the nine months ended December 31, 2010. Amounts have been recast to conform to management's current view of the business and may differ from the presentation that existed at December 31, 2010, as disclosed in Note 11 to the Delta Tucker Holdings, Inc. consolidated financial statements.

	Delta Tucker Holdings, Inc.			
	Period from April 1, 2010 (Inception) through December 31, 2010			
(Amounts in thousands)	Reportable Segments[(1)]	MD&A Recast Adjustments[(2)]	Recasted Segments for Management's Discussion	
Revenue				
Global Stabilization and Development Solutions	$1,105,387	$(51,546)	$1,053,841	53.3%
Global Platform Support Solutions	587,382	51,546	638,928	32.3%
Global Linguist Solutions	285,820	—	285,820	14.4%
Total Segments	1,978,589	—	1,978,589	100.0%
GLS deconsolidation	(285,820)	—	(285,820)	
Headquarters/eliminations[(3)]	4,937	—	4,937	
Consolidated Revenue	1,697,706	—	1,697,706	
Operating Income				
Global Stabilization and Development Solutions	41,548	(5,448)	36,100	3.4%
Global Platform Support Solutions	49,243	5,448	54,691	8.6%
Global Linguist Solutions	19,287	—	19,287	6.8%
Total Segments	110,078	—	110,078	5.6%
GLS deconsolidation	(19,287)	—	(19,287)	
Headquarters[(4)]	(82,454)	—	(82,454)	
Consolidated Operating Income	8,337	—	8,337	

(1) Segment presentation that existed at December 31, 2010, as disclosed in Note 11 to the Delta Tucker Holdings, Inc. consolidated financial statements.

(2) MD&A recast adjustments represent the realignment of certain contracts between BATs and segments which occurred in February 2011. The realignment moved appropriately four contracts from GSDS to GPSS. Management has determined the discussion of historic results is most useful to our financial statement users based on this realigned presentation. This change did not impact our segment presentation in the Delta Tucker Holdings, Inc. consolidated financial statements as of December 31, 2010.

(3) Headquarters/eliminations primarily represents revenue earned on shared service arrangements for general and administrative services provided to unconsolidated joint ventures at zero profit and eliminations of intercompany revenue earned between segments.

(4) Headquarters operating income primarily relates to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers. In addition, Merger expenses incurred by Delta Tucker Holdings, Inc. are included in Headquarters.

Global Stabilization and Development Solutions

Revenue — Revenue was $1,053.8 million for the nine months ended December 31, 2010.

Contingency Operations: Revenue was $722.6 million, primarily due to the benefit of fully ramped-up LOGCAP IV operations in Afghanistan combined with the recognition of award fee revenue during the period as we received notification from our customer on our award fee performance on several task orders. We expect the LOGCAP IV program to experience continued growth as we look to expand the program scope in other areas within Afghanistan.

Development: Revenue was $41.3 million, primarily from our Africa Peacekeeping and AFRICAP programs. We expect Africa Peacekeeping to decline consistent with reduced service levels as a result of a loss of the Somalia based task order on that program.

Intelligence Training and Solutions: Revenue was $16.5 million, consisting primarily of training services performed by our subsidiary, Phoenix Consulting Group Inc.

Training, Mentoring & Security: Revenue was $279.8 million, primarily driven by personnel levels on our CivPol program. During the period we experienced reductions in personnel levels on CivPol as a result of a shift in strategy by our customer to focus on more highly skilled training and mentoring services while reducing the overall number of deployed trainers and mentors in Iraq and a temporary decline in personnel during the transition period between the DoS and DoD in Afghanistan. We are expecting higher revenue from increased personnel in Afghanistan as we were awarded a new contract by the U.S. Army in December 2010, however, given the nature of the new contract, we could experience lower profit margins than those originally experienced with the CivPol Afghanistan contract. The base period of performance runs for twenty-four months with one twelve month option period. The total contract value for the thirty-six months is approximately $1.0 billion.

Operating Income — Operating income was $36.1 million. As a percentage of revenue, operating income was 3.4%, which was driven by the high percentage of revenue coming from the LOGCAP IV program, which has had relatively low margins since the inception of the contract in fiscal year 2010.

Global Platform Support Solutions

Revenue — Revenue was $638.9 million for the nine months ended December 31, 2010. Excluding the impact of segment home office, which is unallowable.

Aviation: Revenue was $354.1 million impacted by declining work on our CFT programs as a result of decreasing rates on our CFT task orders and the impact of the loss of our LCCS Army program which transitioned to a new awardee in November 2010. In the period, we also recognized a $9.5 million settlement of a claim on the LCCS program and experienced an increase in the Sheppard Air Force Base contract, which was fully ramped-up with higher revenue in the second half of the calendar year. We believe in the upcoming calendar years, customers in this space will refocus on quality, allowing us to gain a competitive advantage in winning new work at more appropriate margins.

Air Operations: Revenue was $183.3 million primarily driven by revenue on the INL Air Wing program providing transportation services in Iraq, as well as an increase in service levels in Afghanistan which started in the third quarter of fiscal year 2011. However, we experienced a decrease in INL service levels in Colombia during the period. We anticipate continued increases in INL Air Wing service levels in Iraq and Afghanistan to positively benefit revenue in calendar year 2011.

Operations & Maintenance: Revenue of $103.2 million was primarily driven by revenue earned on the MRAP program.

Operating Income — Operating income of $54.7 million was primarily impacted by low margins on revenue in our Aviation and Operations & Maintenance BATs, partially offset by the recognition of $9.5 million from the settlement of a claim on the LCCS program, which directly benefitted our operating margin. We expect a continued shift on the MRAP program from acquisition funding to sustainment funding which is anticipated to produce lower profit levels going forward. We anticipate current CFT exiting orders will offset the continued shift as we move to different contract vehicles with improved margins.

Global Linguist Solutions

Revenue was $285.8 million was directly linked to the number of linguist deployed in support of U.S. troop levels in Iraq, which has trended lower during the period due to troop drawdowns. GLS is an operationally integral equity method investee and as such, revenue for the entity is not included in our consolidated revenue on our statement of operations.

Operating income was $19.3 million was directly impacted by revenue as discussed above and the receipt of higher than expected award fee scores on the program.

Predecessor Results of Operations — Fiscal Quarter Ended July 2, 2010

Consolidated Results

The following table sets forth our consolidated results of operations, both in dollars and as a percentage of revenue for the fiscal quarter ended July 2, 2010:

	Predecessor	
	Fiscal Quarter Ended July 2, 2010	
Revenue	$ 944,713	100.0%
Cost of services	(856,974)	(90.7%)
Selling, general and administrative expenses	(38,513)	(4.1%)
Depreciation and amortization expense	(10,263)	(1.1%)
Operating income	38,963	4.1%
Interest expense	(12,585)	(1.3%)
Interest income	51	0.0%
Other income, net	658	0.1%
Income before income taxes	27,087	2.9%
Provision for income taxes	(9,279)	(1.0%)
Net income	17,808	1.9%
Noncontrolling interests	(5,004)	(0.5%)
Net income attributable to DynCorp International Inc.	$ 12,804	1.4%

Revenue — Revenue for the fiscal quarter ended July 2, 2010 of $944.7 million which is more fully described in the results by segment, included a full quarter of revenue from the LOGCAP IV Afghanistan task, which did not start ramping up until the end of the second quarter in fiscal year 2010.

Cost of services — Costs of services are comprised of direct labor, direct material, subcontractor costs, other direct costs and overhead. Other direct costs include travel, supplies and other miscellaneous costs. Costs of services for the fiscal quarter ended July 2, 2010 totaled $857.0 million, or 90.7% of revenue. Cost of services included a large LOGCAP IV contribution. A change in overall contract mix and cost increases on CFT programs also impacted Cost of services for the period.

Selling, general and administrative expenses ("SG&A") — SG&A primarily relates to functions such as management, legal, financial accounting, contracts and administration, human resources, management information systems, purchasing and business development. SG&A for the fiscal quarter ended July 2, 2010 was $38.5 million, or 4.1% of revenue. SG&A costs for the quarter contained bid and proposal costs to support future diversification of the Company as well as $3.4 million in Merger related costs, $2.9 million in stock-based compensation, retention bonuses, and acquisition earn-out related costs, and $3.7 million in compliance training and legal expenses.

Depreciation and amortization — Depreciation and amortization for the fiscal quarter ended July 2, 2010 was $10.3 million, or 1.1% of revenue, and was comprised primarily of amortization of customer related intangibles and the amortization of Phoenix and Casals intangibles.

Interest expense — Interest expense for the fiscal quarter ended July 2, 2010 was $12.6 million, or 1.3% of revenue. The interest expense incurred was primarily related to DynCorp International's credit facility, 9.5% senior subordinated notes and amortization of deferred financing fees relating to these debt instruments.

Income tax expense — Our effective tax rate was 34.3% for the fiscal quarter ended July 2, 2010. Our effective tax rate was impacted by nondeductible costs associated with the Merger as well as the difference between financial reporting and tax treatment of GLS and DynCorp International FZ-LLC ("DIFZ"), which are not consolidated for tax purposes but are instead taxed as partnerships under the Internal Revenue Code.

Noncontrolling interests — Noncontrolling interests reflect the impact of our equity partners' interest in our consolidated joint ventures, GLS and DIFZ. For the first quarter of fiscal year 2011, noncontrolling interests for GLS and DIFZ were $4.2 million and $0.8 million, respectively.

Results by Segment

The following table sets forth the revenue and operating income for our GSDS, GPSS and GLS operating segments, both in dollars and as a percentage of our consolidated revenue and operating income, for the fiscal quarter ended July 2, 2010. Amounts have been recast to conform to management's current view of the business and may differ from the presentation that existed at July 2, 2010, as disclosed in Note 16 to the DynCorp International consolidated financial statements.

	Predecessor			
	Fiscal Quarter Ended July 2, 2010			
(Amounts in thousands)	Reportable Segments[(1)]	MD&A Recast Adjustments[(2)]	Recasted Segments for Management's Discussion	
Revenue				
Global Stabilization and Development Solutions	$507,481	$(29,242)	$478,239	50.6%
Global Platform Support Solutions	288,229	29,242	317,471	33.6%
Global Linguist Solutions	149,254	—	149,254	15.8%
Total Segments	944,964	—	944,964	100.0%
Headquarters/eliminations[(3)]	(251)	—	(251)	
Consolidated Revenue	944,713	—	944,713	
Operating Income				
Global Stabilization and Development Solutions	23,911	(1,741)	22,170	4.6%
Global Platform Support Solutions	19,549	1,741	21,290	6.7%
Global Linguist Solutions	9,073	—	9,073	6.1%
Total Segments	52,533	—	52,533	5.6%
Headquarters[(4)]	(13,570)	—	(13,570)	
Consolidated Operating Income	$ 38,963	$ —	$ 38,963	

(1) Segment presentation that existed at December 31, 2010, as disclosed in Note 16 to the DynCorp International consolidated financial statements.

(2) MD&A recast adjustments represent the realignment of certain contracts between segments which occurred in February 2011. The realignment moved appropriately four contracts from GSDS to GPSS. Management has determined the discussion of historic results is most useful to our financial statement users based on this

presentation. This change did not impact our segment presentation in the DynCorp International consolidated financial statements as of December 31, 2010.

(3) Headquarters/eliminations primarily represents eliminations of intercompany revenue earned between segments.

(4) Headquarters operating income primarily relates to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.

Global Stabilization and Development Solutions

Revenue — Revenue of $478.2 million for the fiscal quarter ended July 2, 2010 was comprised primarily of $283.8 million of revenue on the LOGCAP IV program which benefited from a full quarter of operations in Afghanistan, revenue earned on our CivPol program for training and mentoring services in Iraq and Afghanistan and revenue of $61.8 million earned on the wind-down of the Afghanistan construction contracts.

Operating Income — Operating income of $22.2 million for the fiscal quarter ended July 2, 2010 included (i) margins earned on LOGCAP IV Afghanistan revenue, although at relatively low margins as criteria for award fee recognition had not yet been met for the quarter, (ii) contributions by Intelligence and Training Solutions as a result of the Phoenix acquisition and (iii) lower losses on the Afghanistan construction programs.

Global Platform Support Solutions

Revenue — Revenue of $317.5 million for the fiscal quarter ended July 2, 2010 was comprised primarily of revenue from a new contract to provide aircraft maintenance support services at Sheppard Air Force Base, continuing services on the CFT program, although at lower than average margins, continuing services on the LCCS program, and continuing services on the MRAP program.

Operating Income — Operating income of $21.3 million for the fiscal quarter ended July 2, 2010 was driven by: (i) low margins on the CFT program caused by lower time-and-materials rates and fixed price ceilings on existing work, (ii) low margins on the LCCS programs due to the lack of higher-margin engine overhaul work performed in the period and (iii) lower volume of higher margin work on the MRAP program.

Global Linguist Solutions

Revenue of $149.3 million was directly linked to the number of linguist deployed in support of U.S. troop levels in Iraq, which has trended lower during the quarter due to troop drawdowns.

Operating income of $9.1 million was directly impacted by revenue as discussed above and the receipt of higher than expected award fee scores on the program. Operating income earned by GLS benefits net income by our 51% ownership of the joint venture.

Predecessor Results of Operations — Fiscal Year Ended April 2, 2010 Compared to Fiscal Year Ended April 3, 2009

We have restated the DynCorp International consolidated statements of operations, stockholders equity, and cash flows for the fiscal years ended April 2, 2010 and April 3, 2009 and the consolidated balance sheet as of April 2, 2010 to correct errors in such consolidated financial statements. See Note 19 to the DynCorp International consolidated financial statements for more information regarding the impact of the restatement. The amounts presented below are reflective of this restatement.

Consolidated Results of Operations

The following table sets forth, for the periods indicated, our consolidated results of operations, both in dollars and as a percentage of revenue:

(Amounts in thousands)	Predecessor Fiscal Years Ended April 2, 2010		Predecessor Fiscal Years Ended April 3, 2009	
Revenue	$ 3,572,459	100.0%	$ 3,092,974	100.0%
Cost of services	(3,225,250)	(90.3%)	(2,766,969)	(89.5%)
Selling, general and administrative expenses	(106,401)	(3.0%)	(103,277)	(3.3%)
Depreciation and amortization expense	(41,639)	(1.2%)	(40,557)	(1.3%)
Operating income	199,169	5.6%	182,171	5.9%
Interest expense	(55,650)	(1.6%)	(58,782)	(1.9%)
Loss on early extinguishment of debt, net	(146)	(0.0%)	(4,131)	(0.1%)
Interest income	542	0.0%	2,195	0.1%
Other income, net	5,194	0.1%	4,997	0.1%
Income before taxes	149,109	4.2%	126,450	4.1%
Provision for income taxes	(47,035)	(1.3%)	(39,756)	(1.3%)
Net income	102,074	2.9%	86,694	2.8%
Noncontrolling interests	(24,631)	(0.7%)	(20,876)	(0.7%)
Net income attributable to DynCorp International Inc.	$ 77,443	2.2%	$ 65,818	2.1%

Revenue — Revenue for fiscal year 2010 increased $479.5 million or 15.5%, as compared to fiscal year 2009, reflecting increases in our GSDS and GLS consolidated operating segments which were partially offset by a decline in our GPSS operating segment. The increase was primarily driven by the ramp up of the LOGCAP IV program and the benefit of a full twelve months of revenue including award fees from the Intelligence and Security Command ("INSCOM") contract, as compared to the INSCOM ramp-up period, which occurred during the first quarter of fiscal year 2009. Our acquisitions of Phoenix and Casals also contributed to our revenue growth.

Cost of services — Cost of services is comprised of direct labor, direct material, subcontractor costs, other direct costs and overhead. Other direct costs include travel, supplies and other miscellaneous costs. Cost of services for fiscal year 2010 increased $458.3 million as compared to fiscal year 2009, primarily due to revenue growth. As a percentage of revenue, cost of services increased to 90.3% of revenue in fiscal year 2010 from 89.5% of revenue in fiscal year 2009. This increase was primarily driven by lower fiscal year 2010 margins on our CFT and CivPol programs, including a higher percentage of CivPol revenue coming from cost-reimbursable type task orders and the impact of the fee sharing arrangement with our collaborative partners on the LOGCAP IV program. Partially offsetting this cost increase was effective cost management efforts on certain programs in our GPSS segment, higher award fees on the INSCOM contract that had no corresponding costs, and lower losses associated with our Afghanistan construction programs.

Selling, general and administrative expenses ("SG&A") — SG&A primarily relates to functions such as corporate management, legal, finance, accounting, contracts and administration, human resources, management information systems, purchasing and business development. SG&A for fiscal year 2010 increased $3.1 million, or 3.0%, compared to fiscal year 2009. As a percentage of revenue, SG&A decreased by 0.3%. This decrease was primarily attributable to the reversal of a $10.0 million legal reserve in the fourth quarter of fiscal year 2010 related to a favorable appellate court decision on the WWNS case. Also contributing to the comparative decrease was the fiscal year 2009 severance charges related to our former Chief Executive Officer ("CEO"), Herb Lanese, and former GPSS president Natale DiGesualdo.

Partially offsetting this was an increase in SG&A costs associated with higher business development costs incurred in support of our growth and severance costs associated with the termination without cause of our former Senior Vice President and Chief Compliance Officer, approximately $0.6 million of which was unrecoverable. Additionally, we incurred approximately $3.2 million in costs associated with our two acquisitions and the proposed merger, $2.9 million of costs associated with compensation expenses associated with retention agreements connected to our acquisitions and $0.4 million in costs associated with the filing of a Form S-3 registration statement.

Depreciation and amortization — Depreciation and amortization for fiscal year 2010 of $41.6 million increased $1.1 million, or 2.7%. This increase was primarily due to incremental depreciation and amortization associated with our technology transformation initiative, which began to ramp-up during the second quarter of fiscal year 2010. Also impacting the increase was the amortization of the intangible assets acquired in our purchase of Phoenix and Casals.

Interest expense — Interest expense for fiscal year 2010 of $55.7 million decreased $3.1 million, or 5.3%, as compared to fiscal year 2009. The decrease in interest expense was primarily due to a lower principal balance stemming from the excess cash flow principal payment on our pre-Merger senior credit facility and repurchases of 9.5% senior subordinated notes that occurred in fiscal year 2010. Also impacting the decrease was one less week of interest expense during fiscal year 2010, as compared to fiscal year 2009. In addition to the change in interest expense, Loss on early extinguishment of debt, net of $0.1 million was lower in fiscal year 2010 than the $4.1 million incurred in fiscal year 2009, primarily due to the fiscal year 2009 write-off of deferred financing fees associated with our extinguished senior secured credit facility which was refinanced in fiscal year 2009.

Income tax expense — Our effective tax rate of 31.5% for fiscal year 2010 increased from 31.4% for fiscal year 2009. Our effective tax rate was impacted by the difference in financial reporting and tax treatment of GLS and DIFZ, which were consolidated for financial reporting purposes during fiscal years 2010 and 2009 but were treated as partnerships for tax purposes.

Noncontrolling interests — Noncontrolling interests reflect the impact of our equity partners' interest in DIFZ and GLS, which were consolidated during fiscal years 2010 and 2009. For fiscal year 2010, noncontrolling interests for GLS and DIFZ were $21.5 million and $3.1 million, respectively, as compared to $18.5 million and $2.4 million, respectively, for fiscal year 2009.

Results by Segment

The following table sets forth the revenue and operating income for the GSDS operating segments, for fiscal year 2010, as compared to fiscal year 2009. Amounts have been recast to conform to management's current view of the business and may differ from the presentation that existed at April 2, 2010 or April 3, 2009, as disclosed in Note 16 to the DynCorp International consolidated financial statements.

(Amounts in thousands)	Predecessor Fiscal Year 2010				Predecessor Fiscal Year 2009			
	Reportable Segments[(1)]	MD&A Recast Adjustments[(2)]	Recasted Segments for Management's Discussion		Reportable Segments[(1)]	MD&A Recast Adjustments[(2)]	Recasted Segments for Management's Discussion	
Revenue								
Global Stabilization and Development Solutions	$1,623,657	$(111,554)	$1,512,103	42.3%	$1,081,121	$(112,430)	$ 968,691	31.3%
Global Platform Support Solutions	1,213,522	111,554	1,325,076	37.1%	1,308,046	112,430	1,420,476	45.8%
Global Linguist Solutions	734,012	—	734,012	20.6%	709,034	—	709,034	22.9%
Total Segments	3,571,191	—	3,571,191	100.0%	3,098,201	—	3,098,201	100.0%
Headquarters/ eliminations[(3)]	1,268	—	1,268		(5,227)	—	(5,227)	
Consolidated Revenue	3,572,459	—	3,572,459		3,092,974	—	3,092,974	
Operating Income								
Global Stabilization and Development Solutions	87,271	(564)	86,707	5.7%	63,075	2,219	65,294	6.7%
Global Platform Support Solutions	110,237	564	110,801	8.4%	121,279	(2,219)	119,060	8.4%
Global Linguist Solutions	46,389	—	46,389	6.3%	40,855	—	40,855	5.8%
Total Segments	243,897	—	243,897	6.8%	225,209	—	225,209	7.3%
Headquarters[(4)]	(44,728)	—	(44,728)		(43,038)	—	(43,038)	
Consolidated Operating Income	$ 199,169	$ —	$ 199,169		$ 182,171	$ —	$ 182,171	

(1) Segment presentation that existed at December 31, 2010, as disclosed in Note 16 to the DynCorp International consolidated financial statements.

(2) MD&A recast adjustments represent the realignment of certain contracts between segments which occurred in February 2011. The realignment moved appropriately four contracts from GSDS to GPSS. Management has determined the discussion of historic results is most useful to our financial statement users based on this presentation. This change did not impact our segment presentation in the DynCorp International consolidated financial statements as of December 31, 2010.

(3) Headquarters/eliminations primarily represents eliminations of intercompany revenue earned between segments.

(4) Headquarters operating income primarily relates to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.

Global Stabilization & Development Solutions

Revenue — Revenue for fiscal year 2010 increased $543.4 million, or 56.1%, as compared to fiscal year 2009. The increase primarily resulted from the following amounts not allocated to the BATs:

Contingency Operations: Revenue of $674.0 million increased $542.5 million, primarily due to increases from the ramp-up of our task orders on our LOGCAP IV program.

Development: Revenue of $119.6 million increased $9.6 million, primarily due increased service levels in our AFRICAP/Africa Peacekeeping program.

Intelligence Training and Solutions: Revenue of $13.0 million represents Phoenix revenue from October 19, 2009 through April 2, 2010.

Training, Mentoring and Security: Revenue of $705.7 million decreased $20.8 million, or 2.9%, primarily due to declines in our CivPol program due to lower rates in both Iraq and Afghanistan stemming from changes in the contract type from firm fixed-price to cost-reimbursement and reductions in services in Iraq due to the U.S. troop drawdown. Partially offsetting this was a scope increase in our WPPS security services task order in Iraq and a new WPPS security services task order in Pakistan. Also offsetting the decrease was our new MNSTC-I program, which launched in the third quarter of fiscal year 2009.

Operating Income — Operating income of $86.7 million for fiscal year 2010 increased $21.4 million, or 32.8%, as compared with the fiscal year 2009. Fiscal year 2010 results were positively affected by a $10.0 million reversal of legal reserve related to the favorable WWNS legal ruling. Also contributing to the increase was an expansion in services on our LOGCAP IV Program, WPPS programs in Iraq and Pakistan and our MNSTC-I program, and revenue of $5.8 million on our WPPS program. Additionally, our Afghanistan Construction programs incurred lower fiscal year 2010 losses as compared to fiscal year 2009. Partially offsetting this increase was lower profitability on our CivPol program as a result of the final close out of several firm fixed-price task orders during the second quarter of fiscal year 2009 and the reduction in services in Iraq.

Global Platform Support Solutions

Revenue — Revenue for fiscal year 2010 decreased $95.4 million, or 6.7%, as compared to fiscal year 2009. The decrease primarily resulted from the following:

Aviation: Revenue of $715.6 million decreased $122.9 million, or 14.7%, in fiscal year 2010 as compared to fiscal year 2009. The decrease was primarily driven by a decline in CFT programs, which occurred due to the completion of several CFT task orders, for which we did not win the re-competes due to additional competitors in this service space bidding what we believe to be at zero or negative margin levels. Also impacting the decrease was a decline in LCCS revenue in fiscal year 2009 related to non-recurring elective services requested by the customer and cost-reimbursable support of the war on terror activities. This decline was partially offset by our new contract to provide aircraft maintenance support services at Sheppard Air Force Base.

Air Operations: Revenue of $333.5 million increased $36.7 million, or 12.4%, in fiscal year 2010 as compared to fiscal year 2009, primarily due to an increase in INL revenue in Afghanistan and Iraq resulting from new task orders, including Iraq air transportation services, which began in the third quarter of fiscal year 2010. This increase was offset by non-recurring fiscal year 2009 equipment sales and construction work and scope reductions in Colombia.

Operations and Maintenance: Revenue of $276.3 million decreased $9.1 million, or 3.2%, for the fiscal year 2010 as compared to fiscal year 2009, primarily due to scope decreases on our GMC program, the completion of the APS-3 program, and non-recurring threat systems management work. Partially offsetting this decline was increased services associated with the MRAP program.

Operating Income — Operating income of $110.8 million decreased $8.3 million, or 6.9%, for fiscal year 2010 as compared to fiscal year 2009. This was primarily due to declines on the CFT programs due to the completion of several task orders, for which we did not win the re-competes due to additional competitors in this service space and lower rates on new business. This was partially offset by increased margins on the MRAP program driven by higher revenue and better cost management in several key aviation programs, including our LCCS & INL programs.

Global Linguist Solutions

Revenue — Revenue of $734.0 million increased $25.0 million, or 3.5%, in fiscal year 2010 as compared to fiscal year 2009. GLS revenue in fiscal year 2010 benefited from higher award fees as a result of improved

performance and a higher average number of linguists as compared to fiscal year 2009, which was impacted by the ramp-up period during the first quarter of fiscal year 2009. This increase was partially offset by the impact of a contract modification for Option Year 1 on the INSCOM contract agreed to in the third quarter of fiscal year 2010.

Operating income — Operating income of $46.4 million increased $5.5 million, or 13.5% in fiscal year 2010 as compared to fiscal year 2009. This increase was primarily due to a full twelve months of performance in fiscal year 2010, as compared to fiscal year 2009, in which we had continued transition efforts associated with the ramp-up of the contract during the first quarter of that fiscal year. The increase was also supported by higher award fees earned during the period, partially offset by the impact of the modification on the INSCOM contract.

LIQUIDITY AND CAPITAL RESOURCES

Cash generated by operations and borrowings available under our new Senior Secured Credit facility ("Senior Credit Facility") are our primary sources of short-term liquidity (refer to Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements for more detail). We believe our cash flow from operations and our available borrowings will be adequate to meet our liquidity needs for the next twelve months. However, our cash flow from operations is heavily dependent upon billing and collection of our accounts receivables. Significant changes or limitations in collections or loss of our ability to access our revolver, as a result of covenant restraints, could negatively impact liquidity and our ability to fund our working capital needs. Our primary use of short-term liquidity includes debt service and working capital needs sufficient to pay for materials, labor, services or subcontractors prior to receiving payments from our customers. There can be no assurance that sufficient capital will continue to be available in the future or that it will be available at terms acceptable to us. Failure to meet covenant obligations could result in elimination of access to our Senior Credit Facility which would materially affect our future expansion strategies and our ability to meet our operational obligations.

Management believes Days Sales Outstanding ("DSO") is an appropriate way to measure our billing and collections effectiveness. DSO measures the efficiency in collecting our receivables as of the period end date and is calculated based on average daily revenue for the most recent quarter and accounts receivable net of customer advances as of the balance sheet date. Days Sales Outstanding as of December 31, 2010 was 82 days as compared to DSO in the low 70's as of April 2, 2010. The increase was primarily due to our ongoing billing efforts with the DoS related to funding re-alignments on our programs as well as accruals for work performed by subcontractors on our LOGCAP IV program for which we have not received an invoice.

We expect an increase in our operational cash requirements for calendar year 2011 from (i) the continued expansion of the LOGCAP IV contract in Afghanistan and (ii) funding requirements from existing and new joint ventures. Additionally, our cash requirements can be impacted by significant new contract wins, the win of new task orders on existing programs and delays from our customers in processing our invoices. Non-operational future cash requirements have been impacted by interest and principal payments on the new Senior Credit Facility and new Senior Unsecured Notes.

We continue to be audited by the DCAA. Their audits could suspend or disapprove certain costs from time to time which could cause a temporary or permanent delay in our recovery of these costs.

We received a tax refund of $34.1 million in December 2010 and another tax refund of $46.0 million in January 2011 from the Internal Revenue Service from an approved CIAM. The CIAM allowed us to defer revenue associated with certain unbilled receivables for tax purposes until those receivables became billable.

Cash Flow Analysis

The following table sets forth cash flow data for the periods indicated therein:

	Delta Tucker Holdings, Inc.	Predecessor		
(Amounts in thousands)	April 1, 2010 (Inception) through December 31, 2010	Fiscal Quarter Ended July 2, 2010	Fiscal Year Ended April 2, 2010	Fiscal Year Ended April 3, 2009
Net cash (used in) provided by operating activities	$ (27,089)	$21,723	$ 90,473	$140,871
Net cash used in investing activities	(878,218)	(2,874)	(88,875)	(9,148)
Net cash provided by (used in) financing activities	957,844	(5,433)	(79,387)	(16,880)

Delta Tucker Holdings, Inc. Cash Flows — April 1, 2010 (Inception) through December 31, 2010

Operating Activities

Cash used in operations was impacted by $63.1 million of Merger and Merger-related costs and interest cost of $46.8 million, offset by $31.7 million from net tax refunds and a decline in working capital.

Investing Activities

Cash used in investing activities was $878.2 million during the Inception Year. The cash used in investing activities was primarily due to the payment of the Merger consideration, net of cash acquired. In addition, we invested in our technology transformation project which was completed by the end of the calendar year. We also contributed capital consistent with our ownership percentage to GLS in order to provide working capital funding sufficient to allow it to operate without any additional intercompany note funding from us. This working capital infusion by both partners allowed GLS to retire its intercompany note with us.

Financing Activities

Cash provided by financing activities was $957.8 million for the Inception Year. The cash provided by financing activities was primarily due to issuing new debt, net of repayment of pre-Merger debt, payment of deferred financing fees and borrowings on our revolver.

Predecessor Cash Flows — *Fiscal Quarter Ended July 2, 2010*

Operating Activities

Cash provided by operating activities for the fiscal quarter ended July 2, 2010 was $21.7 million. Cash generated from operations during the quarter ended July 2, 2010 benefited from favorable timing on our collections and payment activity during the period offset in part by the impact of delayed award fees on the INSCOM contract through our GLS joint venture as well as certain costs paid associated with the Merger.

Investing Activities

Cash used in investing activities was $2.9 million for the fiscal quarter ended July 2, 2010. The cash used was primarily for equipment additions.

Financing Activities

Cash used in financing activities was $5.4 million for the fiscal quarter ended July 2, 2010. The cash used in financing activities during the fiscal quarter ended July 2, 2010 was primarily due to the payments of noncontrolling interests dividends.

Predecessor Cash Flows — *Fiscal Year 2010 Compared to Fiscal Year 2009*

Operating Activities

Cash flows provided by operating activities for fiscal year 2010 was $90.5 million as compared to $140.9 million for fiscal year 2009. Cash generated from operations for fiscal year 2010 benefited from the combination of our continued profitable revenue growth offset by increases in net working capital. The change in net working capital was primarily due to increases in accounts receivable. This increase was due to an increase in revenue and an increase in DSO, which was 71 days as of April 2, 2010, compared to 60 days at April 3, 2009. This increase in DSO was primarily due to longer review cycles for our DoS invoices due to increased scrutiny of the detailed support of our invoices. Also, contributing to the increase was a payment term increase on the CFT contract.

Investing Activities

Cash used in investing activities was $88.9 million for fiscal year 2010 as compared to $9.1 million for fiscal year 2009. This increase was primarily due to the acquisitions of Phoenix and Casals and the purchase of helicopter assets as compared to fiscal year 2009 where we made routine fixed assets and software purchases.

Financing Activities

Cash used in financing activities was $79.4 million for fiscal year 2010 as compared to $16.9 million of cash used in financing for fiscal year 2009. This increase was primarily due to the $23.4 excess cash flow payment on the senior credit facility, the $24.3 million bond repurchases and $28.1 million in dividend payments to noncontrolling interest holders as compared to $6.0 million of noncontrolling interest holders in fiscal year 2009.

Financing

Long-term debt consisted of the following:

(Amounts in thousands)	**Delta Tucker Holdings, Inc.** December 31, 2010	**Predecessor** April 2, 2010
Pre Merger Term loan	$ —	$176,637
Pre Merger 9.5% senior subordinated notes	637	375,510
Senior Credit Facility:		
New Term Loan	568,575	—
New outstanding revolver borrowings	—	—
New 10.375% senior unsecured notes	455,000	—
Total indebtedness	1,024,212	552,147
Less current portion of long-term debt	(5,700)	(44,137)
Total long-term debt	$1,018,512	$508,010

In connection with the Merger on July 7, 2010, substantially all of DynCorp International's debt outstanding as of April 2, 2010 was repaid and replaced with new debt described below. However, $0.6 million of the pre-Merger 9.5% Senior subordinated notes remained outstanding as of December 31, 2010 as the holders opted to retain their investment. The current portion of long-term debt of $5.7 million is comprised of quarterly principal payments of $1.4 million, the first of such payments was made on December 31, 2010. See Note 2 to the Delta Tucker Holdings, Inc. consolidated financial statements for further discussion related to the Merger. See Note 6 to the DynCorp International Inc. consolidated financial statements for further discussion related to the pre-Merger debt.

New Senior Credit Facility

In connection with the Merger, DynCorp International Inc., as borrower, entered into a new senior secured credit facility on July 7, 2010 (the "Senior Credit Facility"), with a banking syndicate and Bank of America, NA as Agent.

Our new Senior Credit Facility is secured by substantially all of our assets, guaranteed by the Company and substantially all of DynCorp International's subsidiaries and provides for a six year, $570 million term loan facility ("Term Loan") and a four year, $150 million revolving credit facility ("Revolver"), including a $100 million letter of credit subfacility. As of December 31, 2010, the balance of our Term Loan was $568.8 million, and we had no revolver borrowings under our Revolving Facility. As of December 31, 2010, the additional available borrowing capacity under the Senior Credit Facility was approximately $109.0 million, which gives effect to no Revolver borrowings and our $41.0 million in letters of credit. The maturity date on the Term Loan is July 7, 2016 and the maturity date on the Revolver is July 7, 2014.

Interest Rates on Term Loan & Revolver

Both the Term Loan and Revolver bear interest at one of two options, based on our election, using either the (i) base rate ("Base Rate") as defined in the Senior Credit Facility plus an applicable margin or the (ii) London Interbank Offered Rate ("Eurocurrency Rate") as defined in the Senior Credit Facility plus an applicable margin. The applicable margin for the Term Loan is fixed at 3.5% for the Base Rate option or and 4.5% for the Eurocurrency Rate option. The applicable margin for the Revolver ranges from 3.0% to 3.5% for the Base Rate option or 4.0% to 4.5% for the Eurocurrency options based on our outstanding Secured Leverage Ratio at the end of each quarter. The Secured Leverage Ratio is calculated by the ratio of total secured consolidated debt (net of up to $25 million of unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, and depreciation & amortization ("Consolidated EBITDA"), as defined in the Senior Credit Facility. Interest payments on both the Term Loan and Revolver are payable at the end of the interest period as defined in the Senior Credit Facility, but not less than quarterly.

The Base Rate is equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate; provided that in no event shall the Base Rate be less than 1.00% plus the Eurocurrency Rate applicable to one month interest periods on the date of determination of the Base Rate. The variable Base Rate has a floor of 2.75%.

The Eurocurrency Rate is the rate per annum equal to the British Bankers Association London Interbank Offered Rate ("BBA LIBOR") as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) two Business Days prior to the commencement of such interest period. The variable Eurocurrency rate has a floor of 1.75%.

As of December 31, 2010 the applicable interest rate for our Term Loan was 6.25%.

Interest Rates on Letter of Credit Subfacility and Unused Commitment Fees

The letter of credit subfacility bears interest at the applicable margin for Eurocurrency Loans, which ranges from 4.0% to 4.5%. The unused commitment fee ranges from 0.50% to 0.75% depending on the Secured Leverage Ratio, as defined in the Senior Credit Facility. Payments on both the letter of credit subfacility and unused commitments are payable quarterly. As of December 31, 2010 the applicable interest rates for our letter of credit subfacility and unused commitment fees were 4.5% and 0.75%, respectively. All of our letters of credit are also subject to a 0.25% fronting fee.

Principal Payments

Our new Term Loan facility provides for quarterly principal payments of $1.4 million beginning in December 2010. Additionally, there is an annual excess cash flow requirement, which is defined in the Senior

Credit Facility. This excess cash flow requirement begins in fiscal year 2012, based on our annual financial results in fiscal year 2011, and could result in a potential additional principal payment. Our normal quarterly principal payments would be reduced by the amount of any additional principal payment from the excess cash flow requirement. Furthermore, certain transactions can trigger mandatory principal payments such as tax refunds, a disposition of a portion of the business or a significant asset sale.

Covenants

The Senior Credit Facility contains financial, as well as non-financial, affirmative and negative covenants. The negative covenants in the Senior Credit Facility include, among other things, limits on our ability to:

- declare dividends and make other distributions;
- redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;
- grant liens;
- make loans or investments (including acquisitions);
- incur additional indebtedness;
- modify the terms of certain debt;
- restrict dividends from our subsidiaries;
- change our business or business of our subsidiaries;
- merge or enter into acquisitions;
- sell our assets;
- enter into transactions with our affiliates; and
- make capital expenditures.

In addition, the Senior Credit Facility stipulates a maximum total leverage ratio as defined in the Senior Credit Facility, and minimum interest coverage ratio as defined in the Senior Credit Facility, that we must maintain at the end of each quarter.

The total leverage ratio is the Consolidated Total Debt as defined in the Senior Credit Facility, less unrestricted cash and cash equivalents (up to $25 million) to Consolidated EBITDA as defined in the Senior Credit Facility, for the applicable period. Our total leverage ratio cannot be greater than 5.0 to 1.0 for the period of July 3, 2010 to April 1, 2011. The maximum total leverage ratio diminishes quarterly or semi-annually thereafter.

The interest coverage ratio is the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the Senior Credit Facility. The interest coverage ratio must not be less than 2.35 to 1.0 for the July 3, 2010 to July 1, 2011 period. The minimum total leverage ratio increases quarterly or semi-annually thereafter.

New Senior Unsecured Notes

On July 7, 2010, DynCorp International issued $455 million in aggregate principal of 10.375% senior unsecured notes due 2017 (the "Senior Unsecured Notes") in a private placement offering. The new Senior Unsecured Notes were issued under an indenture dated July 7, 2010, by and among us, the guarantors party thereto (the "Guarantors"), including the Company, and Wilmington Trust FSB, as trustee. The new Senior

Unsecured Notes mature on July 1, 2017. Interest on the new Senior Unsecured Notes is payable on January 1 and July 1 of each year, commencing on January 1, 2011.

The new Senior Unsecured Notes contain various covenants that restrict our ability to:

- incur additional indebtedness;
- make certain payments including declaring or paying certain dividends;
- purchase or retire certain equity interests;
- retire subordinated indebtedness;
- make certain investments;
- sell assets;
- engage in certain transactions with affiliates;
- create liens on assets;
- make acquisitions; and
- engage in mergers or consolidations.

The aforementioned restrictions are considered to be in place unless we achieve investment grade ratings from both Moody's Investor Service, Inc. as well as Standard Poor's Rating Service.

We can redeem the new Senior Unsecured Notes, in whole or in part, at defined call prices, plus accrued interest through the redemption date. The Indenture Agreement requires us to repurchase the new Senior Unsecured Notes at defined prices in the event of certain specified triggering events certain asset sales and change of control events.

Contractual Commitments

The following table represents our contractual commitments associated with our debt and other obligations as of December 31, 2010:

	Calendar Years						
(Amounts in thousands)	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**	**Total**
Term Loan [1]	$ 5,700	$ 5,700	$ 5,700	$ 5,700	$ 5,700	$ 540,075	$ 568,575
Senior Subordinated Notes	—	—	637	—	—	—	637
Senior Unsecured Notes	—	—	—	—	—	455,000	455,000
Interest on indebtedness [2]	84,363	83,931	83,343	82,498	81,652	112,014	527,801
Operating Leases [3]	14,495	14,145	13,111	11,047	11,435	37,449	101,682
Liability for uncertain tax position	503	973	1,621	9,781	—	—	12,878
Total Contractual Obligations	$105,061	$104,749	$104,412	$109,026	$98,787	$1,144,538	$1,666,573

(1) Excludes the potential of future mandatory principal payments due to excess cash flow requirements, which could affect the timing of future principal payments. See Note 7 to the Delta Tucker Holdings, Inc. consolidated financial statements for further information.

(2) Represents interest expense calculated using interest rates of: (i) 9.5% on the senior subordinated notes, (ii) 10.375% on senior unsecured debt, (iii) Term Loan Principal applied to the December 31, 2010 interest rate of 6.25%, (iv) assumes the current letter of credit level multiplied by 4.75% and (v) 0.75% interest rate applied to unutilized revolver borrowing capacity utilizing the December 31, 2010 level.

(3) For additional information about our operating leases, see Note 8 to the Delta Tucker Holdings, Inc. consolidated financial statements.

Off-Balance Sheet Arrangements

As of December 31, 2010, we did not have any off-balance sheet arrangements as defined under SEC rules.

Effects of Inflation

We have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer-term fixed-price and time-and-materials type contracts typically include sufficient labor and other cost escalations in amounts expected to cover cost increases over the period of performance. Consequently, because costs and revenue include an inflationary increase commensurate with the general economy in which we operate, net income attributable to Delta Tucker Holdings, Inc. as a percentage of revenue has not been materially impacted by inflation.

Critical Accounting Policies and Estimates

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions to determine reported amounts of certain assets, liabilities, revenue and expenses and the disclosure of related contingent assets and liabilities. These estimates and assumptions are based upon information available at the time of the estimates or assumptions, including our historical experience, where relevant. These significant estimates and assumptions are reviewed quarterly by management. This evaluation process includes a thorough review of key estimates and assumptions used in preparing our financial statements. Because of the uncertainty of factors surrounding the estimates, assumptions and judgments used in the preparation of our financial statements, actual results may differ from the estimates, and the difference may be material.

Our critical accounting policies and estimates are those policies and estimates that are both most important to our financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The following represents our critical accounting policies that incorporate significant estimates. For a summary of all of our significant accounting policies, see Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements included in this Annual Report. Management and our external auditors have discussed our critical accounting policies and estimates with the Audit Committee of our Board of Directors.

Revenue Recognition

We are predominantly a services provider and only include products or systems when necessary for the execution of the service arrangement, and as such, systems, equipment or materials are not generally separable from services. Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, the sales price is fixed or determinable (for non-U.S. government contracts) or costs are identifiable, determinable, reasonable and allowable (for our U.S. government contracts), and collectibility is reasonably assured (for non-U.S. government contracts) or a reasonable contractual basis for recovery exists (for U.S. government contracts). Our contracts typically fall into four categories with the first representing the vast majority of our revenue. The categories are federal government contracts, construction-type contracts, software contracts and other contracts. We apply the appropriate guidance consistently to similar contracts.

Major factors we consider in determining total estimated revenue and cost include the basic contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion or proportional methods of accounting.

We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. Management regularly reviews project profitability and underlying estimates, including total cost to complete a project. For each project, estimates for total project costs are based on such factors as a project's contractual requirements and management's assessment of current and future pricing, economic conditions, political conditions and site conditions. Estimates can be impacted by such factors as additional requirements from our customers, a change in labor markets impacting the availability or price of a skilled workforce, regulatory changes both domestically and internationally, political unrest, or security issues at project locations. Revisions to estimates are reflected in results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management.

Federal Government Contracts — For all non-construction and non-software U.S. federal government contracts or contract elements, we apply the guidance in ASC 912 — *Contractors-Federal Government.* We apply the combination and segmentation guidance in ASC 605-35 *Revenue-Construction-Type and Production-Type Contracts,* under the guidance of ASC 912, in analyzing the deliverables contained in the applicable contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method or completed contract method. The completed contract method is sometimes used when reliable estimates cannot be supported for percentage-of-completion method recognition or for short duration projects when the results of operations would not vary materially from those resulting from use of the percentage-of-completion method. Until complete, project costs are maintained in work-in-progress, a component of inventory.

Projects under our U.S. federal government contracts typically have different pricing mechanisms that influence how revenue is earned and recognized. These pricing mechanisms are classified as cost-plus-fixed-fee, fixed-price, cost-plus-award-fee or time-and-materials (including unit-price/level-of-effort contracts). Any of these contract types can be executed under an Indefinite-Delivery Indefinite-Quantity ("IDIQ") contract, which does not represent a firm order for services. As a result, the exact timing and quantity of delivery and pricing mechanism for IDIQ profit centers are not known at the time of contract award, but they can contain any type of pricing mechanism.

Revenue on projects with a fixed-price or fixed-fee, including award fees, is generally recognized based on progress towards completion over the contract period, measured by either output or input methods appropriate to the services or products provided. For example, "output measures" can include period of service, such as for aircraft fleet maintenance, and units delivered or produced, such as aircraft for which modification has been completed. "Input measures" can include a cost-to-cost method, such as for procurement-related services.

Revenue on time-and-materials projects is recognized at contractual billing rates for applicable units of measure (e.g. labor hours incurred, units delivered). Revenue related to our unconsolidated joint ventures, where a shared service agreement exists, is recognized equal to the costs incurred to provide these services.

Construction Contracts or Contract Elements — For all construction contracts or contract elements, revenue is recognized by profit center using the percentage-of-completion method.

Software Contracts or Contract Elements — It is our policy to review any arrangement containing software or software deliverables using applicable GAAP for software revenue recognition, as discussed further in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements. We have not historically sold software on a separate, standalone basis. As a result, software arrangements are typically accounted for as one unit of accounting and are recognized over the service period, including the period of post-contract customer support.

Other Contracts or Contract Elements — Our contracts with non-federal government customers are predominantly multiple-element arrangements. Multiple-element arrangements involve multiple obligations in various combinations to perform services, deliver equipment or materials, grant licenses or other rights, or take

certain actions. We evaluate all deliverables in an arrangement to determine whether they represent separate units of accounting and arrangement consideration is allocated among the separate units of accounting based on their relative fair values. Fair values are established by evaluating vendor specific objective evidence ("VSOE") or third-party evidence if available. Due to the customized nature of our arrangements, VSOE and third-party evidence is generally not available resulting in applicable arrangements being accounted for as one unit of accounting.

Deferred Taxes, Tax Valuation Allowances and Tax Reserves

Our income tax expense, deferred tax assets and liabilities and reserves for uncertain tax positions reflect management's best estimate of future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense. Income tax expense is the amount of tax payable for the period plus or minus the change in deferred tax assets and liabilities during the period.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

In evaluating the realizability of our deferred tax assets, we assess the need for any related valuation allowances or adjust the amount of any allowances, if necessary. Valuation allowances are recognized to reduce the carrying value of deferred tax assets to amounts that we expect are more-likely-than-not to be realized. Valuation allowances, if any, would primarily would relate to the deferred tax assets established for certain tax credit carryforwards and net operating loss carryforwards for U.S. and non-U.S. subsidiaries. We assess such factors as our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets in determining the need for or sufficiency of a valuation allowance. Failure to achieve forecasted taxable income in the applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings. Implementation of different tax structures in certain jurisdictions could also impact the need for certain valuation allowances.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in potential assessments. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for open tax years for uncertain tax positions that may be subject to challenge by various tax authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest and penalties as deemed appropriate.

Under ASC 740, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information.

ASC 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

We believe we have adequately provided for any reasonably foreseeable outcome related to these matters, and our future results may include favorable or unfavorable adjustments to our estimated tax liabilities. To the extent that the expected tax outcome of these matters changes, such changes in estimate will impact the income tax provision in the period in which such determination is made.

Impairment of Goodwill

As further discussed in Note 2 to the Delta Tucker Holdings, Inc. consolidated financial statements, as a result of the Company applying acquisition accounting related to the Merger on July 7, 2010, our balance sheet includes $679.4 million in goodwill as of December 31, 2010, which represents the excess of costs over fair value of assets. As a result of the Company applying acquisition accounting, the assets and liabilities of DynCorp International were recorded at fair value and the remaining amount resulted in goodwill. The goodwill carrying value was allocated to our operating segments using a relative fair value approach based on our six reporting units. Of the six reporting units, five are consolidated in our financial statements, while GLS was deconsolidated as of the Merger date. All of our reporting units were allocated goodwill based on relative fair values as required under ASC 350 — *Intangibles-Goodwill and Other*, all of which had estimated fair values that substantially exceeded their carrying values.

Goodwill represents the excess of costs over fair value of assets of businesses acquired. In accordance with ASC 350-20 — *Intangibles-Goodwill*, we evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. We performed the first annual goodwill impairment test as of October 29, 2010, the first month of the fourth quarter of our calendar year. We also assess goodwill at the end of a quarter if a triggering event occurs. In determining whether an interim triggering event has occurred, management monitors (i) the actual performance of the business relative to the fair value assumptions used during our annual goodwill impairment test, (ii) and significant changes to future expectations.

We estimate a portion of the fair value of our reporting units under the income approach by utilizing a discounted cash flow model based on several factors including balance sheet carrying values, historical results, our most recent forecasts, and other relevant quantitative and qualitative information. We discount the related cash flow forecasts using the weighted-average cost of capital at the date of evaluation. We also use the market approach to estimate the remaining portion of our reporting unit valuation. This technique utilizes comparative market multiples in the valuation estimate. We have historically applied a 50%/50% weighting to each approach. While the income approach has the advantage of utilizing more company specific information, the market approach has the advantage of capturing market based transaction pricing.

Preparation of forecasts and the selection of the discount rate involve significant judgments that we base primarily on existing firm orders, expected future orders, and general market conditions. Significant changes in these forecasts, the discount rate selected, or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

The combined estimated fair value of all of our reporting units from the weighted total of the market approach and income approach often results in a premium over our market capitalization, commonly referred to as a control premium. The calculated control premium percentage is evaluated and compared to an estimated acceptable midpoint percentage. In the event that the calculated control premium is above this midpoint, a portion of the excess control premium is allocated to reduce the fair value of each reporting unit in order to further assess whether any reporting units have incurred goodwill impairment. Assessing the acceptable control premium percentage requires judgment and is impacted by external factors such as observed control premiums from comparable transactions derived from the prices paid on recent publicly disclosed acquisitions in our industry.

In connection with the Merger, we recorded goodwill of $679.4 million as of December 31, 2010. Although we did not have any reporting units close to being impaired during our annual October 2010 impairment test, the risk of future impairment has increased. A significant change in our forecasted performance, such as a loss of an existing contract or new business opportunity, could significantly impact future impairment assessments.

Recent Accounting Pronouncements

The information regarding recent accounting pronouncements is included in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

We are subject to market risk, primarily relating to potential losses arising from adverse changes in interest rates and foreign currency exchange rates. For a further discussion of market risks we may encounter, see "Item 1A. Risk Factors".

Interest Rate Risk

We have interest rate risk relating to changes in interest rates primarily on our variable rate debt. We manage our exposure to movements in interest rates through the use of a combination of fixed and variable rate debt or interest rate derivative instruments. As of December 31, 2010, we had 44.5% of our debt as fixed rate and 55.5% floating. Our 10.375% senior unsecured notes and our 9.5% senior subordinated notes represented our fixed rate debt, which totaled $455.6 million as of December 31, 2010. Our Term Loan and Revolving Facility represent our variable rate debt. As of December 31, 2010, the balance of our Term Loan was $568.6 million, and we had no revolver borrowings under our Revolving Facility. Borrowings under our variable rate debt bear interest, based on our option, at a rate per annum equal to LIBOR, plus the Applicable Margin or the Base Rate plus the Applicable Margin. Both the Term Loan and the Revolving Facility have an interest rate floor of 1.75% for LIBOR borrowings and 2.75% for Base Rate borrowings. The Term Loan interest rate at December 31, 2010 was made up of a 4.5% Applicable Margin plus a 1.75% LIBOR rate totaling 6.25%. If LIBOR increases over 1.75% and we continued to have no Revolver outstanding loans, each 25 basis point increase would result in $1.4 million annually in additional interest expense.

Foreign Currency Exchange Rate Risk

We are exposed to changes in foreign currency rates. At present, we do not utilize any derivative instruments to manage risk associated with foreign currency exchange rate fluctuations. The functional currency of certain foreign operations is the local currency. Accordingly, these foreign entities translate assets and liabilities from their local currencies to U.S. dollars using year-end exchange rates, while income and expense accounts are translated at the average rates in effect during the year. The resulting translation adjustment is recorded as accumulated other comprehensive income/(loss). Our foreign currency transactions were not material for our Inception Year.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

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INDEPENDENT AUDITORS' REPORT

To the Stockholder of
Delta Tucker Holdings, Inc.
Falls Church, Virginia

We have audited the accompanying consolidated balance sheet of Delta Tucker Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2010, and the related consolidated statements of operations, equity, and cash flows for the period from April 1, 2010 (date of inception) through December 31, 2010. Our audit also included the financial statement schedules listed in the Index at Item 8. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of their operations and their cash flows for the period from April 1, 2010 (date of inception) through December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Fort Worth, Texas
March 31, 2011

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010
Revenue	$ 1,697,706
Cost of services	(1,544,184)
Selling, general and administrative expenses	(78,024)
Merger expenses	(51,722)
Depreciation and amortization expense	(25,776)
Earnings from equity method investees	10,337
Operating income	8,337
Interest expense	(46,845)
Bridge commitment fee	(7,963)
Interest income	420
Other income, net	1,872
Loss before income taxes	(44,179)
Benefit from income taxes	7,881
Net loss	(36,298)
Noncontrolling interests	(1,361)
Net loss attributable to Delta Tucker Holdings, Inc.	$ (37,659)

See notes to consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED BALANCE SHEET

(Amounts in thousands, except share data)	December 31, 2010
ASSETS	
Current assets:	
Cash and cash equivalents	$ 52,537
Restricted cash	9,342
Accounts receivable, net of allowances of $558	782,095
Prepaid expenses and other current assets	150,613
Total current assets	994,587
Property and equipment, net	26,497
Goodwill	679,371
Tradename	43,839
Other intangibles, net	355,129
Other assets, net	163,932
Total assets	$2,263,355
LIABILITIES AND EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 5,700
Accounts payable	297,821
Accrued payroll and employee costs	99,295
Deferred income taxes	90,726
Other accrued liabilities	147,859
Income taxes payable	3,471
Total current liabilities	644,872
Long-term debt, less current portion	1,018,512
Long-term deferred taxes	36,900
Other long-term liabilities	45,745
Total liabilities	1,746,029
Commitments and contingencies	
Equity:	
Common stock, $0.01 par value — 1,000 shares authorized and 100 shares issued and outstanding at December 31, 2010	—
Additional paid-in capital	550,492
Accumulated deficit	(37,659)
Accumulated other comprehensive income	142
Total equity attributable to Delta Tucker Holdings, Inc.	512,975
Noncontrolling interests	4,351
Total equity	517,326
Total liabilities and equity	$2,263,355

See notes to consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010
Cash flows from operating activities	
Net loss	$ (36,298)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	26,225
Amortization of deferred loan costs	4,167
Allowance for losses on accounts receivable	43
Earnings from equity method investees	(12,877)
Distributions from affiliates	10,963
Deferred income taxes	7,033
Other	1,120
Changes in assets and liabilities:	
Restricted cash	(1,159)
Accounts receivable	(69,590)
Prepaid expenses and other current assets	(39,635)
Accounts payable and accrued liabilities	39,497
Income taxes payable/receivable	43,422
Net cash used in operating activities	(27,089)
Cash flows from investing activities	
Merger consideration for shares, net of cash acquired	(869,043)
Purchase of property and equipment, net	(4,639)
Purchase of computer software	(3,684)
Deconsolidation of GLS (see Note 1)	(938)
Payments received from GLS on note receivable (Note 1)	204,114
Disbursements made to GLS on note receivable (Note 1)	(183,028)
Contributions to equity method investees	(21,000)
Net cash used in investing activities	(878,218)
Cash flows from financing activities	
Borrowings on long-term debt	1,537,000
Payments on long-term debt	(1,090,268)
Payments of deferred financing cost	(49,092)
Borrowings under other financing arrangements	15,756
Payments under other financing arrangements	(5,868)
Equity contribution from Affiliates of Cerberus (Note 2)	550,927
Payments of dividends to noncontrolling interests	(611)
Net cash provided by financing activities	957,844
Net increase in cash and cash equivalents	52,537
Cash and cash equivalents, beginning of year	—
Cash and cash equivalents, end of year	$ 52,537
Income taxes received, net	$ (31,733)
Interest paid	$ 19,738

See notes to consolidated financial statements.

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED STATEMENT OF EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity Attributable to Delta Tucker Holdings, Inc.	Noncontrolling Interests	Total Equity
					(Amounts in thousands)			
Balance at April 1, 2010	—	$—	$ 1	$ —	$—	$ 1	$ —	$ 1
Equity investment in connection with Merger (see Note 2)	—	—	550,927	—	—	550,927	—	550,927
Acquisition accounting — fair value adjustment to noncontrolling interests			—	—	—	—	4,216	4,216
Comprehensive income (loss):								
Net loss			—	(36,298)	—	(36,298)	—	(36,298)
Currency translation adjustment, net of tax			—	—	142	142	—	142
Comprehensive income (loss)			—	(36,298)	142	(36,156)	—	(36,156)
Noncontrolling interests			—	(1,361)	—	(1,361)	—	(1,361)
Comprehensive income (loss) attributable to Delta Tucker Holdings, Inc.			—	(37,659)	142	(37,517)	—	(37,517)
Net income and comprehensive income attributable to noncontrolling interests			—	—	—	—	1,361	1,361
DIFZ financing, net of tax			(436)	—	—	(436)	—	(436)
Dividends declared to noncontrolling interests			—	—	—	—	(1,226)	(1,226)
Balance at December 31, 2010	**—**	**$—**	**$550,492**	**$(37,659)**	**$142**	**$512,975**	**$ 4,351**	**$517,326**

See notes to consolidated financial statements.

Note 1 — Significant Accounting Policies and Accounting Developments

Unless the context otherwise indicates, references herein to “we,” “our,” “us,” or “the Company” refer to Delta Tucker Holdings, Inc. and our consolidated subsidiaries. The Company was incorporated in the state of Delaware on April 1, 2010. On July 7, 2010, DynCorp International Inc. (“DynCorp International”), completed a merger with Delta Tucker Sub, Inc., a wholly owned subsidiary of the Company. Pursuant to the Agreement and Plan of Merger dated as of April 11, 2010, Delta Tucker Sub, Inc. merged with and into DynCorp International, with DynCorp International becoming the surviving corporation and a wholly-owned subsidiary of the Company (the “Merger”). Holders of DynCorp International’s stock received $17.55 in cash for each outstanding share and since Cerberus indirectly owns all of our outstanding equity, DynCorp International’s stock is no longer publicly traded as of the Merger.

These consolidated financial statements have been prepared, pursuant to accounting principles generally accepted in the United States of America (“GAAP”).

Fiscal Year

We report the results of our operations using a 52-53 week basis. The Company’s fiscal year is comprised of twelve consecutive fiscal months ending on the Friday closest to December 31. These financial statements reflect our financial results for the nine month period beginning April 1, 2010 (inception) through December 31, 2010. We refer to this period as “calendar year 2010” throughout the financial statements.

DynCorp International’s historic fiscal year presentation was comprised of twelve consecutive fiscal months ended on the Friday closest to March 31 of each year. DynCorp International’s last two completed fiscal years, prior to the merger on July 7, 2010, ended on April 2, 2010 (fiscal year 2010) and April 3, 2009 (fiscal year 2009). The three month period, prior to the merger on July 7, 2010, ended July 2, 2010 is referred to as the “first quarter of fiscal year 2011”. The financial statements of Delta Tucker Holdings, Inc. include stub period (July 3 through July 7, 2010) activity related to DynCorp International. We evaluated the transactions during the stub period and concluded that they were immaterial and did not warrant separate presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of both our domestic and foreign subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company has investments in joint ventures that are variable interest entities (“VIEs”). The VIE investments are accounted for in accordance with Financial Accounting Standards Board Codification (“ASC”) ASC 810 — *Consolidation*. In cases where the Company has (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE, the Company consolidates the entity. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method.

The Company classifies its equity method investees in two distinct groups based on management’s day-to-day involvement in the operations of each entity and the nature of each joint venture’s business. If the joint venture is deemed to be an extension of one of our Business Area Teams (“BATs”), and operationally integral to the business, our share of the joint venture’s earnings is reported within operating income in “Earnings from unconsolidated affiliates” in the consolidated statement of operations. If the Company considers our involvement less significant, the share of the joint venture’s net earnings is reported in “Other income, net” in the consolidated statement of operations.

Economic rights in active joint ventures that are operationally integral are indicated by the ownership percentages in the table listed below.

Global Linguist Solutions LLC (“GLS”) (1)	51.0%
Contingency Response Services LLC	45.0%
Partnership for Temporary Housing LLC	40.0%
Mission Readiness, LLC (2)	40.0%

(1) As described below in Note 1 — Global Linguist Solutions Deconsolidation, on the Merger date the Company deconsolidated GLS.
(2) Mission Readiness was formed in September of 2010 and did not have significant activity during the calendar year.

Economic rights in a joint venture that the Company does not consider operationally integral are indicated by the ownership percentage in the table listed below.

Babcock DynCorp Limited	44.0%

Global Linguist Solutions Deconsolidation

After the implementation of Accounting Standards Update (“ASU”) 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, through the date of the Merger, DynCorp International continued to consolidate GLS based on the related party relationship between DynCorp International and McNeil Technologies Inc. (“McNeil”), our GLS joint venture partner. Through the date of the Merger, DynCorp International’s largest stockholder, Veritas Capital LP (“Veritas”), owned McNeil. This related party relationship ended on the date of Merger resulting in the deconsolidation of GLS on that date and we share the power with McNeil to direct the activities that will most significantly impact the economic performance of GLS.

As a result of applying acquisition accounting and a new basis of accounting beginning on July 7, we performed a valuation of GLS. To estimate the fair value of our investment, we used an income approach based on a discounted cash flow model which incorporated estimates and assumptions supported primarily by unobservable inputs, including profitability levels, anticipated growth rates, inflation factors, tax and discount rates. On the Merger date, GLS’ historical asset, liability and non-controlling interest balances presented on our balance sheets were removed along with intangibles allocated to GLS through acquisition accounting. The fair value of our investment of $64.4 million was recorded as an equity method investment in “Other assets, net” in our balance sheet. Starting on the Merger date, we began to account for our ownership interest in GLS using the equity method of accounting, and our proportionate share of GLS’ net income was recorded in “Earnings from unconsolidated affiliates” in our statement of operations. There was no gain or loss recognized as both our investment in GLS and noncontrolling interest of GLS were adjusted to fair value due to the acquisition accounting and the GLS deconsolidation occurring simultaneously with the Merger.

While we do not have control over the performance of GLS, our senior management, including our chief executive officer, who is our chief operating decision maker, regularly reviews GLS operating results and metrics to make decisions about resources to be allocated to the segment and assess performance, thus GLS is classified as an operating segment. See Note 11 for further discussion on our GLS operating segment.

Noncontrolling interests

We record the impact of our consolidated joint venture partners’ interests as noncontrolling interests. Noncontrolling interests is presented on the face of the income statement as an increase or reduction in arriving at Net income attributable to Delta Tucker Holdings, Inc. Noncontrolling interests on the balance sheet is located in the equity section.

Revenue Recognition and Cost Estimation on Long-Term Contracts

General — We are predominantly a service provider and only include products or systems when necessary for the execution of the service arrangement and as such, systems, equipment or materials are not generally separable from services. Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, the sales price is fixed or determinable (for non-U.S. government contracts) or costs are identifiable, determinable, reasonable and allowable (for our U.S. government contracts), and collectibility is reasonably assured (for non-U.S. government contracts) or a reasonable contractual basis for recovery exists (for U.S. government contracts). Our contracts typically fall into four categories with the first representing the vast majority of our revenue. The categories are federal government contracts, construction type contracts, software contracts and other contracts. Each arrangement is unique and revenue recognition is evaluated on a contract by contract basis. We apply the appropriate principles under GAAP consistently to similar contracts.

The evaluation of the separation and allocation of an arrangement fee to each deliverable within a multiple-deliverable arrangement is dependent upon the principles applicable to the specific arrangement.

We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. When revenue recognition is deferred relative to the timing of cost incurred, costs that are direct and incremental to a specific transaction are deferred and charged to expense in proportion to the revenue recognized. Revenue related to our unconsolidated joint ventures, where a shared service agreement exists, is recognized equal to the costs incurred to provide these services.

Management regularly reviews project profitability and underlying estimates. Revisions to the estimates are reflected in the results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded to cost of services in the period the loss is determined. Loss provisions are first offset against costs that are included in inventoried assets, with any remaining amount reflected in liabilities.

Major factors we consider in determining total estimated revenue and cost include the basic contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion or proportional methods of accounting.

Federal Government Contracts — For all non-construction and non-software U.S. federal government contracts or contract elements, we apply the guidance in the ASC 912 — *Contractors Federal Government* ("ASC 912"). We apply the combination and segmentation guidance in the ASC 605-35 — *Revenue-Construction Type and Production Type Contracts* ("ASC 605-35") as directed in ASC 912, in analyzing the deliverables contained in the applicable contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method or completed contract method.

Projects under our U.S. federal government contracts typically have different pricing mechanisms that influence how revenue is earned and recognized. These pricing mechanisms are classified as cost-plus-fixed-fee, fixed-price, cost-plus-award-fee, time-and-materials (including unit-price/level-of-effort contracts), or Indefinite Delivery, Indefinite Quantity ("IDIQ"). The exact timing and quantity of delivery and pricing mechanism for IDIQ profit centers are not known at the time of contract award, but they can contain any type of pricing mechanism.

Revenue on projects with a fixed-price or fixed-fee, including award fees, is generally recognized based on progress towards completion over the contract period measured by either output or input methods appropriate to

the services or products provided. For example, "output measures" can include period of service, such as for aircraft fleet maintenance; and units delivered or produced, such as aircraft for which modification has been completed. "Input measures" can include a cost-to-cost method, such as for procurement-related services.

Revenue on time-and-materials projects is recognized at contractual billing rates for applicable units of measure (e.g. labor hours incurred or units delivered).

The completed contract method is sometimes used when reliable estimates cannot be supported for percentage-of-completion method recognition or for short duration projects when the results of operations would not vary materially from those resulting from use of the percentage-of-completion method. Until complete, project costs are maintained in work in progress, a component of inventory reflected within *Prepaid Expenses and other current assets* on the consolidated Balance Sheet.

Contract costs on U.S. federal government contracts, including indirect costs, are subject to audit and adjustment by negotiations between us and government representatives. Substantially all of our contract costs have been agreed upon through 2004. Contract revenue on U.S. federal government contracts have been recorded in amounts that are expected to be realized upon final settlement.

Award fees are recognized based on the guidance in ASC 605-35, as directed by ASC 912. Award fees are excluded from estimated total contract revenue until a historical basis has been established for their receipt or the estimation or award criteria have been met including the completion of the award fee period at which time the award amount is included in the percentage-of-completion estimation.

Construction Contracts or Contract Elements — For all construction contracts or contract elements, we apply the combination and segmentation guidance found in ASC 605-35, as directed by ASC — 910 *Contractors Construction* ("ASC-910"), in analyzing the deliverables contained in the contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method.

Software Contracts or Contract Elements — It is our policy to review any arrangement containing software or software deliverables against the criteria contained in ASC-985 — *Software* ("ASC-985"). In addition, ASC 605-25 — *Revenue Multiple Element Arrangements* ("ASC-605-25"), is also applied to determine if any non-software deliverables are outside of the scope of ASC 985 when the software is more than incidental to the products or services as a whole. Under the provisions of ASC 985, software deliverables are separated and contract value is allocated based on Vendor Specific Objective Evidence ("VSOE"). We have never sold software on a separate, standalone basis. As a result, software arrangements are typically accounted for as one unit of accounting and are recognized over the service period, including the period of post-contract customer support. All software arrangements requiring significant production, modification, or customization of the software are accounted for under ASC 605-25, as directed by ASC 985.

Other Contracts or Contract Elements — Our contracts with non-U.S. federal government customers are predominantly multiple-element. Multiple-element arrangements involve multiple obligations in various combinations to perform services, deliver equipment or materials, grant licenses or other rights, or take certain actions. We evaluate all deliverables in an arrangement to determine whether they represent separate units of accounting per the provisions of ASC 605-25 and arrangement consideration is allocated among the separate units of accounting based on their relative fair values. Fair values are established by evaluating VSOE or third-party evidence if available. Due to the customized nature of our arrangements, VSOE and third-party evidence is generally not available resulting in applicable arrangements being accounted for as one unit of accounting under the guidance of ASC 605-25.

We apply the guidance in ASC 605-15 — *Revenue Products*, or ASC 605-20 — *Revenue Services*. The timing of revenue recognition for a given unit of accounting will depend on the nature of the deliverable(s) and whether revenue recognition criteria have been met. The same pricing mechanisms found in U.S. federal government contracts are found in our other contracts.

Cash and cash equivalents

For purposes of reporting cash and cash equivalents, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash

Restricted cash represents cash restricted by certain contracts in which advance payments are not available for use except to pay specified costs and vendors for work performed on the specific contract.

Changes in restricted cash related to our contracts are included as operating activities whereas changes in restricted cash for funds invested as collateral are included as investing activities in the consolidated statements of cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis, including but not limited to, those relating to allowances for doubtful accounts, fair value and impairment of intangible assets and goodwill, income taxes, profitability on contracts, anticipated contract modifications, contingencies and litigation. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts against specific billed receivables based upon the latest information available to determine whether invoices are ultimately collectible. Such information includes the historical trends of write-offs and recovery of previously written-off accounts, the financial strength of the respective customer and projected economic and market conditions. The evaluation of these factors involves subjective judgments and changes in these factors may cause an increase to our estimated allowance for doubtful accounts, which could significantly impact our consolidated financial statements by incurring bad debt expense. Given that we primarily serve the U.S. government, management believes the risk is low that changes in our allowance for doubtful accounts would have a material impact on our financial results.

Property and Equipment

The cost of property and equipment, less applicable residual values, is depreciated using the straight-line method. Depreciation commences when the specific asset is complete, installed and ready for normal use. Depreciation related to equipment purchased for specific contracts is typically included within cost of services, as this depreciation is directly attributable to project costs. We evaluate property and equipment for impairment quarterly by examining factors such as existence, functionality, obsolescence and physical condition. In the event that we experience impairment, we revise the useful life estimate and record the impairment as an addition to depreciation expense and accumulated depreciation. Our standard depreciation and amortization policies are as follows:

Computer and related equipment	3 to 5 years
Furniture and other equipment	2 to 10 years
Leasehold improvements	Shorter of lease term or useful life

Impairment of Long Lived Assets

Our long lived assets are primarily made up of customer related intangibles. The initial values assigned to customer-related intangibles were the result of fair value calculations associated with business combinations. The

values were determined based on estimates and judgments regarding expectations for the estimated future after-tax cash flows from those assets over their lives, including the probability of expected future contract renewals and sales, less a cost-of-capital charge, all of which was discounted to present value. We evaluate the carrying value of our customer-related intangibles on a quarterly basis. The customer related intangible carrying value is considered impaired when the anticipated undiscounted cash flows from such asset is less than its carrying value. In that case, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Indefinite- Lived Assets

Indefinite-lived assets, including goodwill and indefinite-lived tradename, are not amortized but are subject to an annual impairment test. The first step of the goodwill impairment test compares the fair value of each of our reporting units with its carrying amount, including indefinite-lived assets. If the fair value of a reporting unit exceeds its carrying amount, the indefinite-lived assets of the reporting unit are not considered impaired, and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any.

We evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. Our annual impairment testing date is the first month of the fourth quarter of each fiscal year. We performed the first annual impairment test as of October 29, 2010. Based on the results of these tests, no impairment losses were identified for the calendar year ended December 31, 2010. See Note 3 for additional discussion on indefinite-lived assets.

Income Taxes

We file income, franchise, gross receipts and similar tax returns in many jurisdictions. Our tax returns are subject to audit by the Internal Revenue Service, most states in the U.S., and by various government agencies representing many jurisdictions outside the U.S.

We use the asset and liability approach for financial accounting and reporting for income taxes in accordance with the Financial Accounting Standards Board (“FASB”) Codification. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is made up of current expense which includes both permanent and temporary differences and deferred expense which only includes temporary differences. Income tax expense is the amount of tax payable for the period plus or minus the change in deferred tax assets and liabilities during the period.

We make a comprehensive review of our portfolio of uncertain tax positions regularly. The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. A liability is recorded when a benefit is recognized for a tax position and it is not more-likely-than-not that the position will be sustained on its technical merits or where the position is more-likely-than-not that it will be sustained on its technical merits, but the largest amount to be realized upon settlement is less than 100% of the position. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. Tax-related interest is classified in interest expense and tax-related penalties are classified in income tax expense. See Note 4 for additional detail regarding uncertain tax positions.

Currency Translation

The assets and liabilities of our subsidiaries, that are outside the U.S. and that have a functional currency that is not the U.S. dollar, are translated into U.S. dollars at the rates of exchange in effect at the balance sheet

dates. Income and expense items, for these subsidiaries, are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions and the remeasurement of the financial statements of U.S. functional currency foreign subsidiaries are recognized currently in income and those resulting from translation of financial statements are included in accumulated other comprehensive income.

Operating Segments

We have three reportable segments, two of which, Global Stabilization and Development Solutions ("GSDS") and Global Platform Support Solutions ("GPSS"), are wholly-owned, and a third segment, Global Linguist Solutions ("GLS"), is a 51% owned joint venture, which is a operationally integral equity method investee deconsolidated as of the Merger. Our segments are more fully described in Note 11.

Accounting Developments

Pronouncements Implemented in Calendar Year 2011

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards No. 167-*Amendments to FASB Interpretation 46(R)* ("SFAS No. 167"). SFAS No. 167 was converted to Financial Accounting Standards Update 2009-17 and was incorporated into Financial Accounting Standards Codification 810 — Consolidation. This statement amends the guidance for (i) determining whether an entity is a VIE, (ii) determining the primary beneficiary of a variable interest entity, (iii) requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and (iv) changing the disclosure requirements formerly listed in FASB Interpretation 46(R)-8. This statement was effective for us beginning April 1, 2010. The adoption of this statement did not impact our consolidation conclusions for the period from April 1, 2010 (inception) through December 31, 2010.

Pronouncements not yet Implemented

In October 2009, the FASB issued ASU No. 2009-13 — *Revenue Recognition Multiple-Deliverable Revenue Arrangements*. This update (i) removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, (ii) replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the fair value measurements and disclosures guidance, (iii) provides a hierarchy that entities must use to estimate the selling price, (iv) eliminates the use of the residual method for allocation, and (v) expands the ongoing disclosure requirements. The amendments in this update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

In October 2009, the FASB issued ASU No. 2009-14 — *Certain Revenue Arrangements That Include Software Elements, which updates ASC 985 — Software* and clarifies which accounting guidance should be used for purposes of measuring and allocating revenue for arrangements that contain both tangible products and software, and where the software is more than incidental to the tangible product as a whole. The amendments in this update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-17 — *Milestone Method of Revenue Recognition — Consensus of the FASB Emerging Issues Task Force*, which amends ASC 605 — *Revenue Recognition.* This ASU establishes authoritative guidance permitting the use of the milestone method of revenue recognition for research or development arrangements that contain payment provisions or consideration contingent on the achievement of specified events. This guidance is effective for milestones achieved in fiscal years beginning on

or after June 15, 2010 and allows for either prospective or retrospective application, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

Note 2 — Merger

As discussed in Note 1 above, the Merger was completed on July 7, 2010 and was funded through a combination of equity financing of $550.9 million invested by affiliates of Cerberus, borrowings under our new senior credit facility of $570.0 million, the sale of new senior unsecured notes of $455.0 million and DynCorp International's cash on hand of $116.8 million. The new Senior Credit Facility and new Senior Unsecured Notes also funded the repayment of certain existing credit facilities and certain other debt of DynCorp International upon completion of the Merger. See Note 7 for a discussion of our outstanding debt.

Sources of Funds:		Uses of Funds:	
(Amounts in thousands)		*(Amounts in thousands)*	
Cash on hand	$ 116,779	Merger consideration for shares (2)	$1,004,892
		Repayment of DynCorp International debt (3)	576,843
New senior secured credit facilities (Note 7)	570,000	Financing fees related to new long-term debt	49,092
New senior unsecured notes (Note 7)	455,000		
Total debt	1,025,000	Merger costs incurred by Delta Tucker Holdings, Inc. (4)	59,685
Equity investment (1)	550,927	Merger costs incurred by DynCorp International (5)	2,194
Total Sources	$1,692,706	Total Uses (6)	$1,692,706

(1) Represents the issuance of $550.9 million of stock to affiliates of Cerberus, which was contributed to the Company and treated as a contribution to our equity.

(2) The Merger Consideration was based on the per share merger consideration of $17.55 in respect of (i) 56,307,871 shares of common stock outstanding and (ii) 950,957 shares of common stock underlying outstanding restricted stock units that accelerated and vested in full as of and upon the closing of the Merger.

(3) Amount includes accrued interest of $14.3 million at Merger date and $11.0 million of pre-payment penalty and tender offer premium.

(4) Merger costs include $8.0 million in a bridge loan commitment fee and acquisition costs related to discounts, fees and expenses paid or payable by us in connection with the Merger, including tender and consent fees, advisory fees, employee retention and other Merger costs and professional fees totaling $51.7 million. As the notes were issued, we did not utilize the bridge financing.

(5) These Merger costs include $1.1 million of insurance costs related to the DynCorp International's Board of Directors and $1.1 million of acquisition related costs that were incurred by DynCorp International prior to the Merger.

(6) Total Uses of the Merger Consideration and the total purchase price is different by $61.9 million in Merger costs and a $5.8 million cash distribution to affiliates of Cerberus.

Final Purchase Price Allocation

We accounted for the Merger under acquisition accounting in accordance with the provisions of ASC 805 — *Business Combinations*. In accordance with ASC 805, the purchase price was allocated to our identifiable assets and liabilities based on their fair value at the acquisition date. The following table represents the final allocation of the purchase price to the acquired assets and liabilities and resulting goodwill:

Purchase Elements *(Amounts in thousands)*	
Senior credit facility	$ 570,000
Senior unsecured notes	455,000
Equity investment	550,927
Financing fees related to new long-term debt	49,092
Total purchase price	1,625,019
Cash acquired	(135,849)
Restricted cash	(8,183)
Receivables	(820,132)
Other assets	(313,794)
Identifiable intangible assets	(476,955)
Other liabilities assumed	803,276
Noncontrolling interests	66,055
Goodwill before deconsolidation	739,437
GLS deconsolidation [(1)]	(60,066)
Goodwill	$ 679,371

(1) As described in Note 1, GLS was deconsolidated. The impact on goodwill from the deconsolidation is shown in Note 3 *Goodwill and Other Intangible Assets*.

We allocated the purchase price for the acquisition based on the fair values of the tangible and intangible assets acquired and liabilities assumed. We utilized valuation techniques, including the income approach and cost approach for intangible assets and the cost approach for tangible assets and recognized accounts receivables at fair value using a regression analysis and discounted cash flow model. The excess of purchase price over the aggregate fair values was recorded as goodwill. Goodwill associated with this transaction is not deductible for tax purposes. Intangible assets were valued using a discounted cash flow method which is considered a Level 3 measurement under ASC 820 — *Fair Value Measurements and Disclosures*. The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates and cash flow projections.

Intangible Assets

Acquired intangible assets of $477.0 million consisted of customer relationships, non-compete agreements, training materials, software and tradenames. The amortization period for the finite-lived intangible assets ranges from one to ten years, with a weighted average life of 9.0 years. We recorded $24.0 million in amortization expense covering the period of July 7, 2010 through December 31, 2010. The major classes of intangible assets valued as of the July 7, 2010 acquisition date are as follows:

(Amounts in thousands, except weighted average)	Weighted Average Useful Life	Amount	Less: GLS	Intangible Assets
Customer relationships	9.2	$403,694	$52,781	$350,913
Training materials	9.3	6,402	—	6,402
Software	6.2	13,499	304	13,195
Non-compete agreements	1.5	5,005	—	5,005
Finite-lived tradenames	4.8	869	—	869
Indefinite-lived tradenames	N/A	47,486	4,428	43,058
Total		$476,955	$57,513	$419,442

Unaudited Pro Forma Financial Information

The following unaudited pro forma information assumes that the Merger-related transactions occurred on April 1, 2010, the inception of the Company. The unaudited pro forma information is provided for informational purposes only and is not necessarily indicative of what the Company's financial position or results of operations would have been if the Merger had occurred on that date.

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010
	(Unaudited)
Revenue	$2,493,165
Net loss attributable to Delta Tucker Holdings, Inc.	(39,208)

The pro forma amounts represent our results of operations with adjustments that are expected to have a continuing impact such as interest expense and adjustment to amortization. The unaudited pro forma consolidated financial information assumes that the deconsolidation of GLS occurred on April 1, 2010, the inception of the Company.

Note 3 — Goodwill and other Intangible Assets

We evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. Our annual impairment testing date is the first month of the fourth quarter of each fiscal year. The Company performed the first annual goodwill impairment test as of October 29, 2010.

We estimate a portion of the fair value of our reporting units under the income approach by utilizing a discounted cash flow model based on several factors including balance sheet carrying values, historical results, our most recent forecasts, and other relevant quantitative and qualitative information. We discount the related cash flow forecasts using the weighted-average cost of capital at the date of evaluation. We also use the market approach to estimate the remaining portion of our reporting unit valuation. This technique utilizes comparative market multiples in the valuation estimate. We have historically applied a 50%/50% weighting to each approach. While the income approach has the advantage of utilizing more company specific information, the market approach has the advantage of capturing market based transaction pricing. The estimates and assumptions used in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties.

The following tables provide information about our goodwill balances:

(Amounts in thousands)	GSDS	GPSS	GLS	Total
Balance as of April 1, 2010 (inception)	$ —	$ —	$ —	$ —
Goodwill balance as of July 7, 2010 [1]	119,386	559,985	60,066	739,437
Changes between July 7, 2010 and December 31, 2010 [2]	—	—	(60,066)	(60,066)
Goodwill balance as of December 31, 2010	$119,386	$559,985	$ —	$679,371

(1) This balance was a result of the Merger on July 7, 2010. Refer to Note 2 for additional information.
(2) Balance is due to the GLS deconsolidation. Refer to Note 1 for additional information.

The following tables provide information about changes relating to certain intangible assets:

(Amounts in thousands, except years)	As of December 31, 2010			
	Weighted Average Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net
Other intangible assets:				
Customer-related intangible assets	9.2	$350,913	$(20,003)	$330,910
Other	6.1	28,093	(3,874)	24,219
Total other intangibles		$379,006	$(23,877)	$355,129
Tradenames:				
Finite-lived	4.8	$ 869	$ (88)	$ 781
Indefinite-lived		43,058	—	43,058
Total tradenames		$ 43,927	$ (88)	$ 43,839

Amortization expense for customer-related intangibles, other intangibles, and finite-lived tradename was $24.0 million from April 1, 2010 (inception) through December 31, 2010.

The following table outlines an estimate of future amortization based upon the finite-lived intangible assets owned at December 31, 2010:

	Amortization Expense [(1)]
Estimate for calendar year 2011	$ 46,705
Estimate for calendar year 2012	44,643
Estimate for calendar year 2013	43,114
Estimate for calendar year 2014	41,671
Estimate for calendar year 2015	41,074
Thereafter	138,703

(1) The future amortization is inclusive of the finite lived intangible-assets and finite-lived tradename.

Note 4 — Income Taxes

The benefit from income taxes consists of the following:

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010
Current portion:	
Federal	$16,576
State	(375)
Foreign	(1,287)
	14,914
Deferred portion:	
Federal	(7,358)
State	283
Foreign	42
	(7,033)
Benefit from income taxes	$ 7,881

Temporary differences, which give rise to deferred tax assets and liabilities, were as follows:

(Amounts in thousands)	December 31, 2010
Deferred tax assets related to:	
Worker's compensation accrual	$ 4,133
Accrued vacation	5,644
Completion bonus allowance	3,774
Accrued severance	1,834
Accrued executive incentives	550
Legal reserve	6,261
Accrued health costs	924
Suspended loss from consolidated partnership	3,572
Contract loss reserve	21,887
Other accrued liabilities and reserves	16,117
Foreign tax credit carryforward	17,017
Net operating loss carryforward	25,679
Total deferred tax assets	107,392
Deferred tax liabilities related to:	
Partnership / joint venture basis differences	(38,706)
Prepaid insurance	(6,385)
Customer intangibles	(77,136)
Unbilled receivables	(111,352)
DIFZ sale	(1,439)
Total deferred tax liabilities	(235,018)
Deferred tax (liabilities) assets, net	$(127,626)

Deferred tax assets and liabilities are reported as:

(Amounts in thousands)	December 31, 2010
Current deferred tax liabilities	$ (90,726)
Non-current deferred tax liabilities	(36,900)
Deferred tax liabilities, net	$(127,626)

In evaluating our deferred tax assets, we assess the need for any related valuation allowances or adjust the amount of any allowances, if necessary. We assess such factors as the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and available tax planning strategies in determining the need for or sufficiency of a valuation allowance. Based on this assessment, we concluded no valuation allowances were necessary as of December 31, 2010.

As of December 31, 2010, we had U.S. federal net operating loss carry forwards ("NOLs") of approximately $94.3 million that will begin to expire in 2030 and state NOLs of approximately $250.5 million that will begin to expire in 2015. Additionally, at December 31, 2010, we had approximately $17.0 million foreign tax credit carryforwards ("FTCs") that will begin to expire in 2017. The Company recorded a reserve for uncertain tax positions in its deferred tax accounts, offsetting the NOLs, in the amount of $9.8 million or $27.2 million on a pre-tax basis. The NOLs and FTCs were primarily the result of the Company having obtained from the Internal Revenue Service ("IRS"), a favorable Change in Accounting Method ("CIAM") letter, with respect to the timing of revenue recognition for the Company's unbilled receivables. The CIAM went into effect beginning with the tax year ending April 2, 2010. The Company's subsidiary, DynCorp International, Inc., filed its April 2, 2010 tax return applying the CIAM, which resulted in a tax net operating loss which was carried back to prior tax years.

DynCorp International received a refund payment for its April 2, 2010 return loss in December 2010 of $34.1 million. In January of 2011, DynCorp International received an additional $46.0 million refund for its carried back net operating losses.

A reconciliation of the statutory federal income tax rate to our effective rate is provided below:

	December 31, 2010
Statutory rate	35.0%
State income tax, less effect of federal deduction	0.1%
Noncontrolling interests	1.4%
Acquisition Costs	(18.3)%
Other	(0.4)%
Effective tax rate	17.8%

Due to the nature of DI's business, as a provider of professional and technical government services to the U.S. government, DI's foreign earnings generally are exempt from foreign tax due to various bi-lateral agreements often referred to as Status of Forces Agreements (SOFA) and Status of Mission Agreements (SOMA) or their equivalents. DI repatriates and provides U.S. income taxes on all income it earns outside of the United States.

Uncertain Tax Positions

The amount of unrecognized tax benefits at December 31, 2010 was $12.9 million, of which $6.6 million would impact our effective tax rate if recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Amounts in thousands)	
Balance at April 1, 2010	$ —
Additions for tax positions acquired through DI merger	3,546
Additions for tax positions related to current year	9,781
Reductions for tax positions of prior years	
Settlements	—
Lapse of statute of limitations	(448)
Balance December 31, 2010	$12,879

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, we do not expect the change to have a significant impact on the results of operations or our financial position.

We recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense in our Consolidated Statements of Operation. For the period from April 1, 2010 (inception) through December 31, 2010, we recognized a net decrease of approximately $0.1 million in interest and penalty expense.

We file income tax returns in U.S. federal and state jurisdictions and in various foreign jurisdictions. The statute of limitations is open for U.S. federal income tax returns for our fiscal year 2008 forward. The statute of limitations for state income tax returns is open for our fiscal year 2008 and forward, with few exceptions, and foreign income tax examinations for the calendar year 2007 forward.

Note 5 — Accounts Receivable

Accounts Receivable, net consisted of the following:

(Amounts in thousands)	December 31, 2010
Billed	$298,804
Unbilled	483,291
Total	$782,095

Unbilled receivables as of December 31, 2010 include $31.3 million, related to costs incurred on projects for which we have been requested by the customer to begin work under a new contract or extend work under an existing contract, and for which formal contracts or contract modifications have not been executed at the end of the respective periods. This amount includes contract claims of $0.1 million as of December 31, 2010. The balance of unbilled receivables consists of costs and fees billable immediately, on contract completion or other specified events, all of which is expected to be billed and collected within one year, except items that may result in a request for equitable adjustment or a formal claim.

Note 6 — 401(k) Savings Plans

The DynCorp International Savings Plan (the "Savings Plan") is a participant-directed, defined contribution, 401(k) plan for the benefit of employees meeting certain eligibility requirements. The Savings Plan is intended to qualify under Section 401(a) of the U.S. Internal Revenue Code (the "Code"), and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under the Savings Plan, participants may contribute from 1% to 50% of their earnings, except for highly compensated employees who can only contribute up to 10% of their gross salary. Contributions are made on a pre-tax basis, limited to annual maximums set by the Code. The current maximum contribution per employee is sixteen thousand five hundred dollars per calendar year. Company matching contributions are also made in an amount equal to 100% of the first 2% of employee contributions and 50% of the next 6%, up to ten thousand per calendar year are invested in various funds at the discretion of the participant. We incurred Savings Plan expense of approximately $5.5 million from April 1, 2010 (inception) through December 31, 2010. All Savings Plan expenses are fully funded.

We participate in a number of multi-employer plans with unions that we have collective bargaining agreements with. We contribute to these plans based on specified hourly rates for eligible hours. We contributed $1.2 million from April 1, 2010 (inception) through December 31, 2010.

Note 7 — Long-Term Debt

Long-term debt consisted of the following:

(Amounts in thousands)	December 31, 2010
9.5% Senior subordinated notes	$ 637
Term loan	568,575
10.375% Senior unsecured notes	455,000
Outstanding revolver borrowings	—
Total indebtedness	1,024,212
Less current portion of long-term debt	(5,700)
Total long-term debt	$1,018,512

The current portion of long-term debt as of December 31, 2010 of $5.7 million is comprised of quarterly principal payments of $1.4 million. See Note 2 for further discussion related to the Merger.

Senior Credit Facility

In connection with the Merger, we entered into a senior secured credit facility on July 7, 2010 (the "Senior Credit Facility"), with a banking syndicate and Bank of America, NA as Agent.

Our Senior Credit Facility is secured by substantially all of our assets and is guaranteed by substantially all of our subsidiaries. It provides for a six year, $570 million term loan facility ("Term Loan") and a four year, $150 million revolving credit facility ("Revolver"), including a $100 million letter of credit subfacility. As of December 31, 2010, the additional available borrowing capacity under the Senior Credit Facility was approximately $109.0 million, which gives effect to $41.0 million in letters of credit. The maturity date on the Term Loan is July 7, 2016 and the maturity date on the Revolver is July 7, 2014. Amounts borrowed under our Revolver were used to fund operations.

Interest Rates on Term Loan & Revolver

Both the Term Loan and Revolver bear interest at one of two options, based on our election, using either the (i) base rate ("Base Rate") as defined in the Senior Credit Facility plus an applicable margin or the (ii) London Interbank Offered Rate ("Eurocurrency Rate") as defined in the Senior Credit Facility plus an applicable margin. The applicable margin for the Term Loan is fixed at 3.5% for the Base Rate option and 4.5% for the Eurocurrency Rate option. The applicable margin for the Revolver ranges from 3.0% to 3.5% for the Base Rate option or 4.0% to 4.5% for the Eurocurrency option based on our outstanding Secured Leverage Ratio at the end of the quarter. The Secured Leverage Ratio is calculated by the ratio of total secured consolidated debt (net of up to $25 million of unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, and depreciation & amortization ("Consolidated EBITDA"), as defined in the Senior Credit Facility. Interest payments on both the Term Loan and Revolver are payable at the end of the interest period as defined in the Senior Credit Facility, but not less than quarterly.

The Base Rate is equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate; provided that in no event shall the Base Rate be less than 1.00% plus the Eurocurrency Rate applicable to one month interest periods on the date of determination of the Base Rate. The variable Base Rate has a floor of 2.75%.

The Eurocurrency Rate is the rate per annum equal to the British Bankers Association London Interbank Offered Rate ("BBA LIBOR") as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) two Business Days prior to the commencement of such interest period. The variable Eurocurrency rate has a floor of 1.75%. As of December 31, 2010 the applicable interest rates for our Term Loan was 6.25%.

Interest Rates on Letter of Credit Subfacility and Unused Commitment Fees

The letter of credit subfacility bears interest at the applicable margin for Eurocurrency Loans, which ranges from 4.0% to 4.5%. The unused commitment fee ranges from 0.50% to 0.75% depending on the Secured Leverage Ratio, as defined in the Senior Credit Facility. Payments on both the letter of credit subfacility and unused commitments are payable quarterly in arrears. As of December 31, 2010 the applicable interest rates for our letter of credit subfacility and unused commitment fees were 4.5% and 0.75%, respectively.

Principal Payments

Our Term Loan facility provides for quarterly principal payments of $1.4 million that began in December 2010. Additionally, there is an annual excess cash flow requirement, which is defined in the Senior Credit Facility. This excess cash flow requirement begins in calendar year 2012, based on our annual financial results in calendar year 2011, and could result in a potential additional principal payment. Our normal quarterly principal payments would be reduced by the amount of any additional principal payment from the excess cash flow requirement. Furthermore, certain transactions can trigger mandatory principal payments such as tax refunds, a disposition of a portion of the business or a significant asset sale.

Covenants

The Senior Credit Facility contains financial, as well as non-financial, affirmative and negative covenants that we believe are usual and customary. The negative covenants in the Senior Credit Facility include, among other things, limits on our ability to:

- declare dividends and make other distributions;
- redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;
- grant liens;
- make loans or investments (including acquisitions);
- incur additional indebtedness;
- modify the terms of certain debt;
- restrict dividends from our subsidiaries;
- change our business or business of our subsidiaries;
- merge or enter into acquisitions;
- sell our assets;
- enter into transactions with our affiliates; and
- make capital expenditures.

In addition, the Senior Credit Facility stipulates a maximum total leverage ratio as defined in the Senior Credit Facility, and minimum interest coverage ratio as defined in the Senior Credit Facility, that we must maintain.

The total leverage ratio is the Consolidated Total Debt as defined in the Senior Credit Facility, less unrestricted cash and cash equivalents (up to $25 million) to Consolidated EBITDA as defined in the Senior Credit Facility, for the applicable period. Our total leverage ratio cannot be greater than 5.0 to 1.0 for the period of July 3, 2010 to April 1, 2011. The maximum total leverage ratio diminishes either quarterly or semi-annually thereafter.

The interest coverage ratio is the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the Senior Credit Facility. The interest coverage ratio must not be less than 2.35 to 1.0 for the July 3, 2010 to July 1, 2011 period. The minimum total leverage ratio increases either quarterly or semi-annually thereafter.

The fair value of our borrowings under our Senior Credit Facility approximates 100.8% of the carrying amount based on quoted values as of December 31, 2010.

Senior Unsecured Notes

On July 7, 2010, DynCorp International Inc. issued $455 million in aggregate principal of 10.375% senior unsecured notes due 2017 (the "Senior Unsecured Notes") in a private placement offering. The Senior Unsecured Notes were issued under an indenture dated July 7, 2010, by and among us, the guarantors party thereto (the "Guarantors"), including the Company, and Wilmington Trust FSB, as trustee. The Senior Unsecured Notes mature on July 1, 2017. Interest on the Senior Unsecured Notes is payable on January 1 and July 1 of each year, commencing on January 1, 2011.

The Senior Unsecured Notes contain various covenants that restrict our ability to:

- incur additional indebtedness;
- make certain payments including declaring or paying certain dividends;

- purchase or retire certain equity interests;
- retire subordinated indebtedness;
- make certain investments;
- sell assets;
- engage in certain transactions with affiliates;
- create liens on assets;
- make acquisitions; and
- engage in mergers or consolidations.

The aforementioned restrictions are considered to be in place unless we achieve investment grade ratings by both Moody's Investor Services and Standard and Poors.

We can redeem the Senior Unsecured Notes, in whole or in part, at defined call prices, plus accrued interest through the redemption date. The Indenture requires us to repurchase the Senior Unsecured Notes at defined prices in the event of certain asset sales and change of control events.

Call and Put Options

We can voluntarily settle all or a portion of the Senior Unsecured Notes at any time prior to July 1, 2014. Such a voluntary settlement would require payment of 100% of the principal amount plus the applicable premium (or make-whole premium), and accrued and unpaid interest and additional interest, if any, as of the applicable redemption date. The applicable premium with respect to the Senior Unsecured Notes on any applicable redemption date is the greater of (1) 1.0% of the then outstanding principal amount of the Senior Unsecured Notes; and (2) the excess of (a) the present value at such redemption date of (i) the redemption price of the Senior Unsecured Notes at July 1, 2014 plus (ii) all required interest payments due on the Note through July 1, 2014 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate, as defined in the Indenture, as of such redemption date plus 50 basis points; over (b) the then outstanding principal amount of the Senior Unsecured Notes.

In the event of a change in control, each holder of the Senior Unsecured Notes will have the right to require the Company to repurchase some or all of the Senior Unsecured Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The fair value of the Senior Unsecured Notes is based on their quoted market value. As of December 31, 2010, the quoted market value of the Senior Unsecured Notes was approximately 102.1% of stated value.

Note 8 — Commitments and Contingencies

Commitments

We have operating leases for the use of real estate and certain property and equipment which are either non-cancelable, cancelable only by the payment of penalties or cancelable upon one month's notice. All lease payments are based on the lapse of time but include, in some cases, payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms, but most leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in base rents, utilities and property taxes. Lease rental expense was $46.7 million for the period from April 1, 2010 (inception) through December 31, 2010. We have no significant long-term purchase agreements with service providers.

Minimum fixed rentals non-cancelable for the next five years and thereafter under operating leases in effect as of December 31, 2010, are as follows:

Calendar Year	Real Estate	Equipment	Total
	(Amounts in thousands)		
2011 [1]	$11,001	$ 3,494	$ 14,495
2012	10,886	3,259	14,145
2013	10,196	2,915	13,111
2014	8,227	2,820	11,047
2015	8,027	3,408	11,435
Thereafter	22,135	15,314	37,449
Total	$70,472	$31,210	$101,682

(1) The minimum lease table above excludes agreements of one year or less in duration. These leases are accounted for in our rent expense, however, because of the short tenure of the lease, these are not reflected in the table above.

Contingencies

General Legal Matters

We are involved in various lawsuits and claims that have arisen in the normal course of business. In most cases, we have denied, or believe we have a basis to deny any liability. Related to these matters, we have recorded reserves totaling approximately $17.4 million in "Other accrued liabilities" as of December 31, 2010. Liabilities in excess of those recorded, if any, arising from such matters may have a material adverse effect on our results of operations, consolidated financial condition or liquidity.

Pending Litigation and Claims

On May 14, 2008, a jury in the Eastern District of Virginia found against us in a case brought by a former subcontractor, Worldwide Network Services ("WWNS"), on two Department of State ("DoS") contracts, in which WWNS alleged racial discrimination, tortuous interference and certain other claims. The Company accrued approximately $17.1 million related to the claim. WWNS was awarded approximately $20.5 million in compensatory, contractual and punitive damages and attorneys' fees, and we were awarded approximately $0.2 million on a counterclaim. On February 2, 2009, we filed an appeal with respect to this matter. On February 12, 2010, the Court of Appeals vacated $10 million in punitive damages, remanded the case for a new trial on punitive damages, and imposed a $350,000 cap on any possible new punitive damages award. WWNS filed a petition seeking re-hearings, which the Court denied. In the fourth quarter of fiscal year 2010, we reversed the previously accrued punitive damages of $10 million, creating a reduction in selling, general and administrative expenses. On June 7, 2010, we paid WWNS the amount of the previously unpaid awarded non-punitive damages, approximately $5.8 million. On June 25, 2010, WWNS filed a Petition for a Writ of Certiori to the U.S. Supreme Court, which was denied on October 4, 2010. In 2011, we accrued and paid $0.4 million, the remainder of the legal fees associated with the case. On March 14, 2011, the trial court dismissed with prejudice the remanded punitive damages claim. The case is now closed.

On December 4, 2006, December 29, 2006, March 14, 2007 and April 24, 2007, four lawsuits were served, seeking unspecified monetary damages against DynCorp International LLC and several of its former affiliates in the U.S. District Court for the Southern District of Florida, concerning the spraying of narcotic plant crops along the Colombian border adjacent to Ecuador. Three of the lawsuits, filed on behalf of the Provinces of Esmeraldas, Sucumbíos, and Carchi in Ecuador, allege violations of Ecuadorian law, international law, and statutory and common law tort violations, including negligence, trespass, and nuisance. The fourth lawsuit, filed on behalf of citizens of the Ecuadorian provinces of Esmeraldas and Sucumbíos, alleges personal injury, various counts of negligence, trespass, battery, assault, intentional infliction of emotional distress, violations of the Alien Tort Claims Act and various violations of international law. The four lawsuits were consolidated, and based on our

motion granted by the court, the case was subsequently transferred to the U.S. District Court for the District of Columbia. On March 26, 2008, a First Amended Consolidated Complaint was filed that identified 3,266 individual plaintiffs. As of January 12, 2010, 1,256 of the plaintiffs have been dismissed by court orders and, on September 15, 2010, the Provinces of Esmeraldas, Sucumbíos, and Carchi were dismissed by court order. The amended complaint does not demand any specific monetary damages; however, a court decision against us, although we believe to be remote, could have a material adverse effect on our results of operations and financial condition, if we are unable to seek reimbursement from the DoS. The aerial spraying operations were and continue to be managed by us under a DoS contract in cooperation with the Colombian government. The DoS contract provides indemnification to us against third-party liabilities arising out of the contract, subject to available funding.

A lawsuit filed on September 11, 2001, and amended on March 24, 2008, seeking unspecified damages on behalf of twenty-six residents of the Sucumbíos Province in Ecuador, was brought against our operating company and several of its former affiliates in the U.S. District Court for the District of Columbia. The action alleges violations of the laws of nations and U.S. treaties, negligence, emotional distress, nuisance, battery, trespass, strict liability, and medical monitoring arising from the spraying of herbicides near the Ecuador-Colombia border in connection with the performance of the DoS, International Narcotics and Law Enforcement contract for the eradication of narcotic plant crops in Colombia. As of January 12, 2010, fifteen of the plaintiffs have been dismissed by court order. The terms of the DoS contract provide that the DoS will indemnify our operating company against third-party liabilities arising out of the contract, subject to available funding. We are also entitled to indemnification by Computer Sciences Corporation in connection with this lawsuit, subject to certain limitations. Additionally, any damage award would have to be apportioned between the other defendants and our operating company. We believe that the likelihood of an unfavorable judgment in this matter is remote and that, even if that were to occur, the judgment is unlikely to result in a material adverse effect on our results of operations or financial condition as a result of the third party indemnification and apportionment of damages described above.

Arising out of the litigation described in the preceding two paragraphs, on September 22, 2008, we filed a separate lawsuit against our aviation insurance carriers seeking defense and coverage of the referenced claims. On November 9, 2009, the court granted our Partial Motion for Summary Judgment regarding the duty to defend, and the carriers have paid the majority of the litigation expenses. In a related action, the carriers filed a lawsuit against us on February 5, 2009, seeking rescission of certain aviation insurance policies based on an alleged misrepresentation by us concerning the existence of certain of the lawsuits relating to the eradication of narcotic plant crops. On May 19, 2010, our aviation insurance carriers filed a complaint against us seeking reformation of previously provided insurance policies and the elimination of coverage for aerial spraying. The Company believes that the claims asserted by the insurance carriers are without merit and we will defend against them vigorously.

In November 2009, a U.S. grand jury indicted one of our subcontractors on the Logistics Civil Augmentation Program ("LOGCAP IV") contract, Agility, on charges of fraud and conspiracy, alleging that it overcharged the U.S. Army on $8.5 billion worth of contracts to provide food to soldiers in Iraq, Kuwait and Jordan. These allegations were in no way related to the work performed under LOGCAP IV. Effective December 16, 2009, we removed Agility as a subcontractor on the LOGCAP IV contract and terminated the work under existing task orders. In April 2010, Agility filed an arbitration demand, asserting claims for breach of a joint venture agreement, breach of fiduciary duty and unjust enrichment. Agility is seeking a declaration that it is entitled to a 30% share of the LOGCAP IV fees over the life of the contract. We believe our right to remove Agility was justified and no joint venture agreement exists between the parties. The case is currently in arbitration. We believe the case is without merit and we intend to vigorously defend against Agility's claims, however, based on the size of the LOGCAP IV contract and Agility's claim, a negative outcome may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

A lawsuit was filed against us on March 22, 2010, and amended on July 16, 2010, by T.E. Security Consultants, LLC ("T.E."). The lawsuit was filed in the U.S. District Court for the Eastern District of Virginia

and seeks unspecified damages related to an alleged teaming agreement and subcontract to support a DoS Worldwide Personal Protection Services Air Ops Task Order. The complaint claims breach of contract, unjust enrichment/quantum meruit, fraud, constructive fraud, and misappropriation of trade secrets. The court dismissed the fraud and constructive fraud claims on August 17, 2010. We filed a counterclaim against T.E. for fraud and fraud in the inducement on October 19, 2010. The parties agreed to settle this matter on confidential, non-material terms on December 29, 2010. The case is now closed.

Litigation Relating to the Merger

On April 16, 2010, a putative class action complaint was commenced against the Company and its directors, Cerberus, and Cerberus' acquisition entities in the Delaware Court. In this action, captioned Shawn K. Naito v. DynCorp International Inc. et al., C.A. No. 5419–VCS, the plaintiff purported to bring the action on behalf of the public stockholders of the Company, and sought, among other things, equitable relief, to enjoin the consummation of the Merger, and fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, agreeing to the proposed Merger in which the consideration was unfair and inadequate, failing to take steps to maximize stockholder value, and putting their own interests above those of our stockholders. The complaint further alleged that Cerberus, Parent and Merger Sub aided and abetted the directors' alleged breaches of their fiduciary duties. On May 7, 2010, the Company and its directors filed an answer that denied the material substantive allegations of the complaint. On May 10, 2010, we, Cerberus and its acquisition entities filed an answer that denied the material substantive allegations of the complaint. On May 14, 2010, plaintiff filed a motion to amend its complaint to assert certain alleged failures of disclosure in the Company's preliminary proxy statement previously filed with the SEC. Such motion was granted by the Court on May 18, 2010. The proposed amended complaint continued to challenge the Company's Board's discharge of its fiduciary duties in connection with the negotiation of the Merger, and on June 2, 2010, the Company and its directors, as well as we, Cerberus and its acquisition entities, filed respective answers denying the material substantive allegations of the amended complaint. On May 17, 2010, plaintiff filed a motion for a preliminary injunction of the Merger. Along with counsel to plaintiff in the *Meehan* action described below, counsel for the parties in the *Naito* action entered into a memorandum of understanding on June 17, 2010, by which plaintiff agreed to dismiss the class action with prejudice and to release all claims and allegations against us, the Company and its directors Cerberus and the Cerberus acquisition entities arising out of or related to the amended complaint, the Merger or the Merger Agreement, allegations made in the *Meehan* action described below, any claim that we, the Company and its directors Cerberus or the Cerberus acquisition entities failed to take adequate steps to protect the interests of the Company's stockholders regarding the Merger. Although that we continued to deny the allegations, in exchange for the dismissal of the action and release of claims and allegations, the Company caused Definitive Additional Proxy Materials in Schedule 14A to be filed on July 17, 2010 with the SEC and to be mailed to our stockholders on July 18, 2010. On July 30, 2010, the parties entered into and filed with the Court a stipulation memorializing these terms. On October 13, 2010, the Court approved the stipulation and the settlement terms, including the awarding of $525,000 in attorney fees and expenses to plaintiff's counsel, and entered a judgment dismissing the action with prejudice that day.

On April 30, 2010, the Company and its directors and Cerberus' acquisition entities were named as defendants in a putative class action complaint, captioned Kevin V. Meehan v. Robert McKeon et al., C.A. No. 1:10CV 446, filed in the U.S. District Court in the Eastern District of Virginia. In the complaint, the plaintiff purported to represent a class of stockholders and sought, among other things, equitable relief, including to enjoin us, the Company and Cerberus' acquisition entities from consummating the Merger, in addition to fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, failing to engage in an honest and fair sale process. The complaint further alleged that the Company and Cerberus' acquisition entities aided and abetted the directors' purported breaches. On May 17, 2010 plaintiff filed an amended complaint asserting claims under Section 14a of the Exchange Act, challenging disclosures and alleged omissions in the Company's proxy statement. On May 19, 2010 plaintiff filed a motion to expedite the case. On May 21, 2010 defendants filed a motion to dismiss the amended complaint and, on May 24, 2010, filed a motion for abstention, asking the court to abstain from proceeding with the case in favor of the substantively similar and earlier-filed

action in Delaware described above. On May 27, 2010, the court denied plaintiff's motion to expedite discovery. Following denial of the plaintiff's motion to expedite discovery in this action, plaintiff's counsel agreed to coordinate his discovery efforts with the plaintiffs in the Delaware *Naito* action. Upon entering into the memorandum of understanding described above, the parties jointly requested the Court to stay the *Meehan* action while they endeavored to finalize the global settlement. The Court granted that stay, and later entered an order dismissing the *Meehan* action with prejudice on October 18, 2010.

U.S. Government Investigations

We primarily sell our services to the U.S. government. These contracts are subject to extensive legal and regulatory requirements, and we are occasionally the subject of investigations by various agencies of the U.S. government who investigate whether our operations are being conducted in accordance with these requirements, including as previously disclosed in our periodic filings, the Special Inspector General for Iraq Reconstruction report regarding certain reimbursements and the U.S. Department of State Office of Inspector General's records subpoena with respect to Civilian Police ("CivPol"). Such investigations, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and many result in no adverse action against us. We do not believe that any adverse actions arising from such matters would have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

On September 17, 2008, the U.S. Department of State Office of Inspector General ("OIG") served us with a records subpoena for the production of documents relating to our Civilian Police Program in Iraq. Among other items, the subpoena sought documents relating to our business dealings with a former subcontractor, Corporate Bank. We have been cooperating with the OIG's investigation. In October 2009, we were notified by the Department of Justice that this investigation is being done in connection with a *qui tam* litigation brought by a private individual on behalf of the U.S. government and our conversations with the Department of Justice regarding this matter are ongoing. The complaint remains under seal. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

As previously disclosed in our periodic filings, we identified certain payments made on our behalf by two subcontractors to expedite the issuance of a limited number of visas and licenses from a foreign government's agencies that may raise compliance issues under the U.S. Foreign Corrupt Practices Act. We retained outside counsel to investigate these payments. In November 2009, we voluntarily brought this matter to the attention of the U.S. Department of Justice and the SEC. We are cooperating with the government's review of this matter. We are also continuing our evaluation of our internal policies and procedures. We cannot predict the ultimate consequences of this matter at this time, nor can we reasonably estimate the potential liability, if any, related to this matter. However, based on the facts currently known, we do not believe that this matter will have a material adverse effect on our business, financial condition, results of operations or cash flow.

On August 16, 2005, we were served with a Department of Justice Federal Grand Jury Subpoena seeking documents concerning work performed by a former subcontractor, Al Ghabban in 2002-2005. Specifically, during the 2002-2005 timeframe, Al Ghabban performed line haul trucking work to transport materials throughout the Middle Eastern theater on the War Reserve Materials Program. In response to the subpoena in 2005, we provided the requested documents to the Department of Justice, and the matter was subsequently closed in 2005 without any action taken. In April 2009, we received a follow up telephone call concerning this matter from the Department of Justice Civil Litigation Division. Since that time, we have had several discussions with the government regarding the civil matter. In response to recent requests, we have provided additional information to the Department of Justice Civil Litigation Division. We are fully cooperating with the government's review. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

U.S. Government Audits

Our contracts are regularly audited by the Defense Contract Audit Agency ("DCAA") and other government agencies. These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The government also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts.

The Defense Contract Management Agency ("DCMA") formally notified us of non-compliance with Cost Accounting Standard 403, Allocation of Home Office Expenses to Segments, on April 11, 2007. We issued a response to the DCMA on April 26, 2007 with a proposed solution to resolve the area of non-compliance, which related to the allocation of corporate general and administrative costs between our divisions. On August 13, 2007, the DCMA notified us that additional information would be necessary to justify the proposed solution. We issued responses on September 17, 2007, April 28, 2008 and September 10, 2009 and the matter is pending resolution. Based on facts currently known, we do not believe the matters described in this and the preceding paragraph will have a material adverse effect on our results of operations or financial condition.

We were under audit by the Internal Revenue Service ("IRS") for employment taxes covering the years 2005 through 2007. In the course of the audit process, the IRS had questioned our treatment of exempting from U.S. employment taxes all U.S. residents working abroad for some of our foreign subsidiaries. We settled this matter with the IRS in December 2010 and paid $12.0 million. We do not have any reserves for periods subsequent to 2007 related to this employment tax issue.

Contract Matters

In 2009, we terminated for cause a contract to build the Akwa Ibom International Airport for the State of Akwa Ibom in Nigeria. Consequently, we terminated certain subcontracts and purchase orders the customer advised us it did not want to assume. Based on our experience with this particular Nigerian state government customer, we believe the customer may challenge our termination of the contract for cause and initiate legal action against us. Our termination of certain subcontracts not assumed by the customer, including our actions to recover against advance payment and performance guarantees established by the subcontractors for our benefit is being challenged in certain instances. Although we believe our right to terminate this contract and such subcontracts was justified and permissible under the terms of the contracts, and we intend to vigorously contest any claims brought against us arising out of such terminations, if courts were to conclude that we were not entitled to terminate one or more of the contracts and damages were assessed against us, such damages could have a material adverse effect on our results of operations or financial condition. At this time, any such damages are not estimable.

Credit Risk

We are subject to concentrations of credit risk primarily by virtue of our accounts receivable. Departments and agencies of the U.S. federal government account for all but minor portions of our customer base, minimizing this credit risk. Furthermore, we continuously review all accounts receivable and recorded provisions for doubtful accounts.

Risk Management Liabilities and Reserves

We are insured for domestic worker's compensation liabilities and a significant portion of our employee medical costs. However, we bear risk for a portion of claims pursuant to the terms of the applicable insurance contracts. We account for these programs based on actuarial estimates of the amount of loss inherent in that period's claims, including losses for which claims have not been reported. These loss estimates rely on actuarial

observations of ultimate loss experience for similar historical events. We limit our risk by purchasing stop-loss insurance policies for significant claims incurred for both domestic worker's compensation liabilities and medical costs. Our exposure under the stop-loss policies for domestic worker's compensation and medical costs is limited based on fixed dollar amounts. For domestic worker's compensation and employer's liability under state and federal law, the fixed-dollar amount of stop-loss coverage is $1.0 million per occurrence on most policies; but, $0.25 million on a California based policy. For medical costs, the fixed dollar amount of stop-loss coverage is from $0.25 million to $0.75 million for total costs per covered participant per calendar year.

Note 9 — Equity

The certificate of incorporation authorized the Company to issue up to 1,000 shares of common stock, par value $0.01 per share. At April 1, 2010 (inception), 100 common shares were issued. As of December 31, 2010, 100 common shares were issued and outstanding. Between April 1, 2010 (inception) and December 31, 2010, our equity has been impacted by a capital contribution of $550.9 million in connection with the Merger (as further discussed in Note 2).

Note 10 — Composition of Certain Financial Statement Captions

The following tables present financial information of certain consolidated balance sheet captions.

Prepaid expenses and other current assets — Prepaid expenses and other current assets were:

(Amounts in thousands)	December 31, 2010
Prepaid expenses	$ 34,801
Prepaid income taxes	54,927
Inventories	11,034
Available-for-sale inventory	10,485
Work-in-process	5,132
Joint venture receivables	5,005
Favorable contracts	23,096
Other current assets	6,133
Total	$150,613

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets. Prepaid income taxes are made up of refunds related to our change in accounting method for tax; see Note 4 for further discussion on prepaid income taxes. We value our inventory at lower of cost or market. Available-for-sale-inventory is made up of nine helicopters that will not be deployed on existing programs. These helicopters were valued in acquisition accounting and written down to the estimated fair value less cost to sell.

Property and equipment, net — Property and equipment, net were:

(Amounts in thousands)	December 31, 2010
Helicopters	$ 8,087
Computers and other equipment	9,119
Leasehold improvements	6,953
Office furniture and fixtures	4,598
Gross property and equipment	28,757
Less accumulated depreciation	(2,260)
Property and equipment, net	$26,497

Depreciation expense was $2.3 million for the period from April 1, 2010 (inception) through December 31, 2010, including certain depreciation amounts classified as Cost of services. Accumulated depreciation was $2.3 million as of December 31, 2010. The six helicopters that were included with Property and equipment were not placed in service as of December 31, 2010.

Other assets, net — Other assets, net were:

(Amounts in thousands)	December 31, 2010
Deferred financing costs, net	$ 45,080
Investment in affiliates	107,217
Palm promissory notes, long-term portion	5,482
Phoenix retention asset	3,128
Other	3,025
Total	$163,932

Deferred financing cost is amortized through interest expense. Amortization related to deferred financing costs was $4.2 million for the period from April 1, 2010 (inception) through December 31, 2010.

Accrued payroll and employee costs — Accrued payroll and employee costs were:

(Amounts in thousands)	December 31, 2010
Wages, compensation and other benefits	$77,713
Accrued vacation	20,608
Accrued contributions to employee benefit plans	974
Total	$99,295

Other accrued liabilities — Accrued liabilities were:

(Amounts in thousands)	December 31, 2010
Deferred revenue	$ 8,179
Insurance expense	22,342
Interest expense	23,380
Unfavorable contract liability	14,653
Contract losses	21,451
Legal matters	17,403
Subcontractor retention	14,574
Financed insurance	9,888
Other	15,989
Total	$147,859

Deferred revenue is primarily due to payments in excess of revenue recognized. Contract losses relate to accrued losses recorded on certain contracts.

Other liabilities — Other long-term liabilities were:

(Amounts in thousands)	December 31, 2010
Unfavorable contract liability	$19,418
Unrecognized tax benefit	3,098
Unfavorable lease accrual	6,963
Contract losses	11,143
Other	5,123
Total	$45,745

Note 11 — Segment and Geographic Information

We have three reportable segments, Global Stabilization and Development Solutions, Global Platform Support Solutions, and Global Linguist Solutions. Two of our segments, Global Stabilization and Development Solutions and Global Platform Support Solutions, are wholly-owned. Our third segment, Global Linguist Solutions, is a 51% owned joint venture which we no longer consolidate in our financial results as discussed in Note 1. While we do not have control over the performance of Global Linguist Solutions, our senior management, including our chief executive officer, who is our chief operating decision maker, regularly reviews Global Linguist Solutions operating results and metrics to make decisions about resources to be allocated to the segment and assess performance, thus Global Linguist Solutions is classified as an operating segment.

Our GPSS operating segment provides services domestically and in foreign countries under contracts with the U.S. government and some foreign customers, whereas our GSDS and GLS operating segments primarily provide services in foreign countries with the U.S. government as the primary customer. All three segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations, Cost Accounting Standards and audits by various U.S. federal agencies. In order to realign measurement of true business performance with segment presentation, we excluded certain costs that are not directly allocable to business units from the segment results and included these costs in headquarters.

The following is a summary of the financial information of the reportable segments reconciled to the amounts reported in the consolidated financial statements:

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010
Revenue	
Global Stabilization and Development Solutions	$1,105,387
Global Platform Support Solutions	587,382
Global Linguist Solutions	285,820
Subtotal	1,978,589
Headquarters (1)	4,937
GLS deconsolidation	(285,820)
Total reportable segments	$1,697,706
Operating income	
Global Stabilization and Development Solutions	$ 41,548
Global Platform Support Solutions	49,243
Global Linguist Solutions	19,287
Subtotal	110,078
Headquarters (2)	(82,454)
GLS deconsolidation	(19,287)
Total reportable segments	$ 8,337
Depreciation and amortization	
Global Stabilization and Development Solutions	$ 168
Global Platform Support Solutions	9
Global Linguist Solutions	—
Subtotal	177
Headquarters	25,599
Total reportable segments (3)	$ 25,776
Assets	
Global Stabilization and Development Solutions	$ 881,093
Global Platform Support Solutions	788,586
Global Linguist Solutions	123,940
Total reportable segments	1,793,619
Headquarters (4)	593,676
GLS deconsolidation	(123,940)
Total consolidated assets	$2,263,355

(1) Represents revenue earned on shared services arrangements for general and administrative services provided to unconsolidated joint ventures.

(2) Headquarters operating expense primarily relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers. In addition, merger expenses incurred by Delta Tucker Holdings, Inc. are included in Headquarters.

(3) Excludes amounts included in Cost of services of $0.4 million for the period from April 1, 2010 (inception) through December 31, 2010.

(4) Assets primarily include cash, investments in unconsolidated subsidiaries, intangible assets (excluding goodwill) and deferred debt issuance cost.

Geographic Information — Revenue by geography is determined based on the location of services provided.

(Amounts in thousands)	For The Period From April 1, 2010 (Inception) Through December 31, 2010	
United States	$ 315,297	19%
Middle East [1]	1,281,573	75%
Other Americas	31,605	2%
Europe	24,807	1%
Asia-Pacific	34,074	2%
Other	10,350	1%
Total	$1,697,706	100%

(1) The Middle East includes but is not limited to activities in Iraq, Afghanistan, Somalia, Oman, Qatar, United Arab Emirates, Kuwait, Palestine, Sudan, Pakistan, Jordan, Lebanon, Bahrain, Yemen, Saudi Arabia, Turkey and Egypt.

Substantially all assets owned by the Company were located in the U.S. as of December 31, 2010.

Revenue from the U.S. government accounted for approximately 98% of total revenue for the period from April 1, 2010 (inception) through December 31, 2010. As of December 31, 2010, accounts receivable due from the U.S. government represented over 98% of total accounts receivable.

Note 12 — Related Parties, Joint Ventures and Variable Interest Entities

Consulting Fee

On July 7, 2010, we entered into a Master Consulting and Advisory Services Agreement (the "COAC Agreement") with Cerberus Operations and Advisory Company, LLC, an affiliate of Cerberus. Pursuant to the terms of the COAC Agreement, Cerberus Operations and Advisory Company, LLC will make personnel available to us for the purpose of providing reasonably requested business advisory services. This will be priced on a case by case basis depending on the requirements of the project and agreements in pricing. We incurred $0.7 million in expenses for Cerberus consulting fees between April 1, 2010 and December 31, 2010.

Variable Interest Entities

We own an interest in six active VIEs, all of which are joint ventures. These are listed as follows: (i) 40% owned Partnership for Temporary Housing LLC ("PaTH"); (ii) 45% owned Contingency Response Services LLC ("CRS"); (iii) 44% owned Babcock DynCorp Limited ("Babcock") (iv) 51% owned GLS; (v) 50% owned DynCorp International FZ-LLC ("DIFZ") and (vi) 40% owned Mission Readiness, LLC. We do not encounter any significant risk through our involvement in our VIEs outside the normal course of our business.

GLS is a joint venture formed in August 2006 with one partner, McNeil Technologies, for the purpose of procuring government contracts with the U.S. Army. We incur significant costs on behalf of GLS related to the normal operations of the venture. However, these costs typically support revenue billable to our customer.

We own 50% of DIFZ but exercise power over activities that significantly impact DIFZ's economic performance and remained as sole customer allowing the Company to exert power over significant activities. Also, we will absorb the majority of expected losses or gains from the venture, based on the terms of the sale agreement. Thus, we have concluded that we were the primary beneficiary.

In accordance with the Termination of Offering Basis Loan Agreement dated October 26, 2010, we no longer provide GLS with its working capital requirements via a loan. GLS repaid the loan in October 2010. The working capital requirements were addressed with a $40 million contribution made by us and McNeil Technologies of $20.4 million and $19.6 million, respectively. GLS is no longer a guarantor under our Senior Secured Credit Facility in accordance with the agreement.

DIFZ provides foreign staffing, human resources and payroll services. We incur significant costs on behalf of DIFZ related to the normal operations. The vast majority of these costs are considered direct contract costs and thus billable on the various corresponding contracts supported by DIFZ services. DIFZ assets and liabilities were $35.9 million as of December 31, 2010. Additionally, DIFZ revenue was $224.3 million for the period from April 1, 2010 (inception) through December 31, 2010. These intercompany revenue and costs are eliminated in consolidation.

PaTH is a joint venture formed in May 2006 with two other partners for the purpose of procuring government contracts with the Federal Emergency Management Authority. CRS is a joint venture formed in March 2006 with two other partners for the purpose of procuring government contracts with the U.S. Navy. Babcock is a Joint Venture formed in January 2005 and currently provides services to the British Ministry of Defense. Mission Readiness joint venture was recently created with only the back office operations functioning.

As of December 31, 2010, we accounted for GLS, PaTH, CRS, Mission Readiness and Babcock as equity method investments based on our share of (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE. Alternatively, we consolidated DIFZ based on the abovementioned criteria. We present our share of the GLS, PaTH, CRS and Mission Readiness earnings in "Earnings from unconsolidated affiliates" as these joint ventures are considered operationally integral. Alternatively, we present our share of the Babcock earnings in "Other income, net" as its not considered operationally integral. Current assets and total assets for our equity method investees as of December 31, 2010 totaled $163.7 million and $175.5 million, respectively. Current liabilities and total liabilities for our equity method investees as of December 31, 2010 totaled $105.1 million and $105.6 million, respectively. Revenue and net income for the equity method investees for the period from April 1, 2010 through December 31, 2010 was $359.5 million and $29.3 million, respectively.

In the aggregate, our maximum exposure to losses as a result of our investment consists of our (i) $107.4 million investment in unconsolidated subsidiaries, (ii) $5.0 million in receivables from our unconsolidated joint ventures, (iii) $6.8 million of notes receivable from Palm Trading Investment Corp, and (iv) contingent liabilities that were neither probable nor reasonably estimable as of December 31, 2010.

Joint Ventures

Receivables due from our unconsolidated joint ventures, including GLS, totaled $5.0 million as of December 31, 2010. These receivables are a result of items purchased and services rendered by us on behalf of our unconsolidated joint ventures, including GLS. We have assessed these receivables as having minimal collection risk based on our historic experience with these joint ventures and our inherent influence through our ownership interest. The related revenue we earned from our unconsolidated joint ventures, including GLS, totaled $7.5 million for the period from April 1, 2010 (inception) through December 31, 2010. Additionally, we earned $12.9 million in equity method income (includes operationally integral and non-integral income) for the period from April 1, 2010 (inception) through December 31, 2010.

We currently hold one promissory note from Palm Trading Investment Corp, which had an aggregate initial value of $9.2 million as a result of the sales price. The note is included in (i) Prepaid expenses and other current assets and in (ii) Other assets on our audited consolidated balance sheet for the short and long-term portions, respectively. The loan balance outstanding was $6.8 million as of December 31, 2010, reflecting the initial value plus accrued interest, less payments against the promissory notes. The fair value of the notes receivable is not materially different from its carrying value.

Note 13 — Collaborative Arrangements

We participate in a collaborative arrangement with our partner on the LOGCAP IV program. During 2008, we executed a subcontract with CH2M Hill with respect to operations on the LOGCAP IV program, which is considered a collaborative arrangement under GAAP. The purpose of this arrangement is to share some of the risks and rewards associated with this U.S. government contract. Our current share of profits is 70%.

We account for this collaborative arrangement under ASC 808 — *Collaborative Arrangements* and record revenue gross as the prime contractor. The cash inflows and outflows, as well as expenses incurred, are recorded in Cost of services in the period realized. Revenue on LOGCAP IV was $697.1 million for the period from April 1, 2010 (inception) through December 31, 2010. Cost of services on LOGCAP IV was $651.5 million for the period from April 1, 2010 (inception) through December 31, 2010. Our share of the total LOGCAP IV profits was $14.7 million for the period from April 1, 2010 (inception) through December 31, 2010.

Note 14 — Consolidating Financial Statements of Subsidiary Guarantors

The Senior Unsecured Notes issued by DynCorp International Inc. ("Subsidiary Issuer") and the Credit Facility are fully and unconditionally guaranteed, jointly and severally, by the Company ("Parent") and all of the domestic subsidiaries of Subsidiary Issuer: DynCorp International LLC, DTS Aviation Services LLC, DynCorp Aerospace Operations LLC, DynCorp International Services LLC, Dyn Marine Services LLC, Dyn Marine Services of Virginia LLC, Services International LLC, Worldwide Humanitarian Services LLC, Worldwide Recruiting and Staffing Services LLC, Phoenix Consulting Group LLC and Casals and Associates Inc. ("Subsidiary Guarantors"). Each of the Subsidiary Issuers and the Subsidiary Guarantors is 100% owned by the Company.

The following condensed consolidating financial statements present (i) condensed consolidating balance sheet as of December 31, 2010 (ii) the condensed consolidating statement of operations and statement of cash flows for the period from April 1, 2010 (inception) through December 31, 2010 and (iii) elimination entries necessary to consolidate Parent and its subsidiaries.

The Parent company, the Subsidiary Issuer, the combined Subsidiary Guarantors and the combined subsidiary non-guarantors account for their investments in subsidiaries using the equity method of accounting; therefore, the Parent column reflects the equity income of the subsidiary and its subsidiary guarantors, and subsidiary non-guarantors. Additionally, the Subsidiary Guarantors' column reflects the equity income of its subsidiary non-guarantors.

DynCorp International, Inc. is considered the Subsidiary Issuer as it issued the Senior Unsecured Notes.

Delta Tucker Holdings, Inc. and Subsidiaries

Condensed Consolidating Statement of Operations Information
Period from April 1, 2010 (Inception) through December 31, 2010

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,700,780	$ 246,545	$(249,619)	$ 1,697,706
Cost of services	—	—	(1,551,467)	(236,183)	243,466	(1,544,184)
Selling, general and administrative expenses	—	—	(77,586)	(6,425)	5,987	(78,024)
Merger expenses	(51,722)	—	—	—	—	(51,722)
Depreciation and amortization expense	—	—	(25,466)	(310)	—	(25,776)
Earnings from unconsolidated affiliates	—	—	10,337	—	—	10,337
Operating income	(51,722)	—	56,598	3,627	(166)	8,337
Interest expense	—	(46,438)	(407)	—	—	(46,845)
Bridge commitment fee	(7,963)	—	—	—	—	(7,963)
Equity in income of consolidated subsidiaries	7,427	37,068	1,821	—	(46,316)	—
Interest income	—	—	420	—	—	420
Other income, net	—	—	1,766	(60)	166	1,872
Income/(loss) before income taxes	(52,258)	(9,370)	60,198	3,567	(46,316)	(44,179)
Provision for income taxes	14,599	16,797	(23,130)	(385)	—	7,881
Net income/(loss)	(37,659)	7,427	37,068	3,182	(46,316)	(36,298)
Noncontrolling interests	—	—	—	(1,361)	—	(1,361)
Net income/(loss) attributable to Delta Tucker Holdings, Inc.	$(37,659)	$ 7,427	$ 37,068	$ 1,821	$ (46,316)	$ (37,659)

Delta Tucker Holdings, Inc. and Subsidiaries

Condensed Consolidating Balance Sheet Information
December 31, 2010

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
			ASSETS			
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 46,106	$ 6,431	$ —	$ 52,537
Restricted cash	—	—	9,342	—	—	9,342
Accounts receivable, net	—	—	780,524	5,211	(3,640)	782,095
Intercompany receivables	—	—	74,169	33,268	(107,437)	—
Prepaid expenses and other current assets	6,167	—	143,337	616	493	150,613
Total current assets	6,167	—	1,053,478	45,526	(110,584)	994,587
Property and equipment, net	—	—	25,553	944	—	26,497
Goodwill	—	—	646,972	32,399	—	679,371
Tradenames, net	—	—	43,839	—	—	43,839
Other intangibles, net	—	—	352,744	2,385	—	355,129
Investment in subsidiaries	558,060	1,566,557	35,516	—	(2,160,133)	—
Other assets, net	8,432	45,246	110,254	—	—	163,932
Total assets	$572,659	$1,611,803	$2,268,356	$81,254	$(2,270,717)	$2,263,355
			LIABILITIES & EQUITY			
Current liabilities:						
Current portion of long-term debt	$ —	$ 5,700	$ —	$ —	$ —	$ 5,700
Accounts payable	—	—	299,583	1,385	(3,147)	297,821
Accrued payroll and employee costs	—	—	69,417	29,878	—	99,295
Intercompany payables	59,684	7,227	33,393	7,133	(107,437)	—
Other accrued liabilities	—	22,941	208,427	7,217	—	238,585
Income taxes payable	—	—	3,346	125	—	3,471
Total current liabilities	59,684	35,868	614,166	45,738	(110,584)	644,872
Long-term debt, less current portion	—	1,017,875	637	—	—	1,018,512
Other long-term liabilities	—	—	82,645	—	—	82,645
Noncontrolling interests	—	—	4,351	—		4,351
Equity	512,975	558,060	1,566,557	35,516	(2,160,133)	512,975
Total liabilities and equity	$572,659	$1,611,803	$2,268,356	$81,254	$(2,270,717)	$2,263,355

Delta Tucker Holdings, Inc. and Subsidiaries

Condensed Consolidating Statement of Cash Flow Information
Period from April 1, 2010 (Inception) through December 31, 2010

(Amounts in thousands)	Parent	Subsidiary Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$(59,684)	$ 6	$ (588)	$ 35,804	$ (2,627)	$ (27,089)
Cash flows from investing activities:						
Merger consideration for shares	—	(1,004,892)	135,849	—	—	(869,043)
Investments in equity method investees	—	—	(21,000)	—	—	(21,000)
Deconsolidation of GLS	—	—	(938)	—	—	(938)
GLS Note	—	—	21,086	—	—	21,086
Purchase of property and equipment	—	—	(8,323)	—	—	(8,323)
Net transfers from/(to) Parent	—	—	—	(26,135)	26,135	—
Net cash (used in) provided by investing activities	—	(1,004,892)	126,674	(26,135)	26,135	(878,218)
Cash flows from financing activities:						
Borrowings on long-term debt	—	1,537,000	—	—	—	1,537,000
Payments on long-term debt	—	(1,090,268)	—	—	—	(1,090,268)
Net transfers from/(to) Parent/ subsidiary	59,684	7,227	(40,776)	—	(26,135)	—
Equity contribution from Affiliates of Cerberus	—	550,927	—	—	—	550,927
Receipts/payments of dividends	—	—	—	(3,238)	2,627	(611)
Other financing activities	—	—	(39,204)	—	—	(39,204)
Net cash provided by (used in) financing activities	59,684	1,004,886	(79,980)	(3,238)	(23,508)	957,844
Net (decrease) increase in cash and cash equivalents	—	—	46,106	6,431	—	52,537
Cash and cash equivalents, beginning of period	—	—	—	—	—	—
Cash and cash equivalents, end of period	$ —	$ —	$ 46,106	$ 6,431	$ —	$ 52,537

Note 15 — Fair Value of Financial Assets and Liabilities

ASC 820 — *Fair Value Measurements and Disclosures* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2010, we held certain assets that are required to be measured at fair value on a recurring basis. These included the following:

- Cash equivalents including restricted cash which consists of petty cash, cash in-bank and short-term, highly liquid, income-producing investments with original maturities of 90 days or less. This is categorized as a Level 1 input.

We formerly had contingent earn-out compensation listed as a level-3 liability. The amount due (zero) changed from a contingency to a known amount as of December 31, 2010 and was removed from the fair value table below.

Our assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 as of December 31, 2010 were as follows:

	Fair Value Measurements at Reporting Date Using			
	Book value of financial assets as of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
(amounts in thousands)				
Assets				
Cash equivalents [(1)]	$61,879	$61,879	$—	$—
Total assets measured at fair value	$61,879	$61,879	$—	$—

(1) Includes cash equivalents and restricted cash.

Note 16 — Quarterly Financial Data (Unaudited)

In our opinion, the following unaudited quarterly information includes all adjustments, consisting of normal recurring adjustments, necessary to fairly present our consolidated results of operations for such periods.

	For The Period From April 1, 2010 (Inception) Through December 31, 2010		
	Fourth Quarter (October 2, 2010 – December 31, 2010)	Third Quarter (July 3, 2010 – October 1, 2010)	Second Quarter (April 1, 2010 – July 2, 2010)
	(Amounts in thousands)		
Revenue	$856,660	$841,046	$ —
Operating income/(loss)	$ 25,732	$ 34,327	$(51,722)
Net income/(loss) attributable to Delta Tucker Holdings, Inc.	$ 576	$ 6,851	$(45,086)

The following table presents the unaudited consolidated statements of operations for the three and six months ended October 1, 2010:

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands)	Three Months Ended October 1, 2010	Six Months Ended October 1, 2010
Revenue	$ 841,046	$ 841,046
Cost of services	(759,026)	(759,026)
Selling, general and administrative expenses	(40,474)	(40,474)
Merger Expenses	—	(51,722)
Depreciation and amortization expense	(12,345)	(12,345)
Earnings from equity method investees	5,126	5,126
Operating income	34,327	(17,395)
Interest expense	(22,409)	(22,409)
Bridge Commitment Fee	—	(7,963)
Interest income	280	280
Other income, net	462	462
Income before income taxes	12,660	(47,025)
Provision for income taxes	(5,255)	9,344
Net income (loss)	7,405	(37,681)
Noncontrolling interests	(554)	(554)
Net income (loss) attributable to Delta Tucker Holdings, Inc.	6,851	$ (38,235)

The following table presents the unaudited consolidated balance sheet as of October 1, 2010.

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, except share data)	**October 1, 2010**
ASSETS	
Current assets:	
Cash and cash equivalents	$ 22,929
Restricted cash	9,961
Accounts receivable, net of allowances of none	765,471
Prepaid expenses and other current assets	322,696
Total current assets	1,121,057
Property and equipment, net	25,818
Goodwill	679,371
Tradename	43,871
Other intangibles, net	365,296
Other assets, net	145,810
Total assets	$2,381,223
LIABILITIES AND EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 5,700
Accounts payable	293,088
Accrued payroll and employee costs	110,247
Deferred income taxes	138,945
Other accrued liabilities	129,283
Income taxes payable	1,736
Total current liabilities	678,999
Long-term debt, less current portion	1,049,537
Long-term deferred taxes	96,022
Other long-term liabilities	39,596
Total liabilities	1,864,154
Commitments and contingencies	
Equity:	
Common stock, $0.01 par value — 1,000 shares authorized and 100 shares issued and outstanding as of October 1, 2010	—
Additional paid-in capital	551,009
Retained earnings	(38,235)
Accumulated other comprehensive income/(loss)	167
Total equity attributable to Delta Tucker Holdings, Inc.	512,941
Noncontrolling interests	4,128
Total equity	517,069
Total liabilities and equity	$2,381,223

The following table presents the unaudited consolidated statement of cash flow for the three months ended October 1, 2010.

DELTA TUCKER HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Three Months Ended October 1, 2010	Six Months Ended October 1, 2010
Cash flows from operating activities		
Net income	$ 7,405	$ (37,681)
Depreciation and amortization	12,582	12,582
Amortization of deferred loan costs	1,880	1,880
Earnings from equity method investees	(5,885)	(5,885)
Distributions from affiliates	5,687	5,687
Deferred income taxes	124,429	109,830
Other	552	552
Changes in assets and liabilities:		
Restricted cash	(1,778)	(1,778)
Accounts receivable	(88,044)	(88,044)
Prepaid expenses and other current assets	(85,088)	(85,088)
Accounts payable and accrued liabilities	(42,931)	16,754
Income taxes payable	(1,499)	(1,499)
Net cash provided by operating activities	(72,690)	(72,690)
Cash flows from investing activities		
Merger consideration for shares	(869,043)	(869,043)
Purchase of property and equipment, net	(3,801)	(3,801)
Purchase of computer software	(1,389)	(1,389)
Deconsolidation of GLS (see Note 1)	(938)	(938)
Payments received from GLS on note receivable	138,001	138,001
Disbursements made to GLS on note receivable	(150,198)	(150,198)
Net cash used in investing activities	(887,368)	(887,368)
Cash flows from financing activities		
Borrowings on long-term debt	1,296,900	1,296,900
Payments on long-term debt	(819,143)	(819,143)
Equity contribution from Affiliates of Cerberus	550,927	550,927
Merger costs paid on behalf of affiliates		
Payments of deferred financing cost	(49,092)	(49,092)
Borrowings under other financing arrangements	5,445	5,445
Payments under other financing arrangements	(1,408)	(1,408)
Payments of dividends to noncontrolling interests	(642)	(642)
Net cash provided by (used in) financing activities	982,987	982,987
Net (decrease) increase in cash and cash equivalents	22,929	22,929
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	$ 22,929	$ 22,929

Note 17 — Subsequent Events

We evaluated subsequent events that occurred after the period end date through March 31, 2011, the date that the financial statements were available to be issued. We concluded that no subsequent events have occurred that require recognition in our financial statements for the period from April 1, 2010 (inception) through December 31, 2010.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
DynCorp International Inc.
Falls Church, Virginia

We have audited the accompanying consolidated balance sheet of DynCorp International Inc. and subsidiaries (the "Company") as of April 2, 2010, and the related consolidated statements of operations, equity, and cash flows for the period from April 3, 2010 to July 2, 2010, and the fiscal years ended April 2, 2010 and April 3, 2009. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 2, 2010 and the results of their operations and their cash flows for the period from April 3, 2010 to July 2, 2010, and the fiscal years ended April 2, 2010, and April 3, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Fort Worth, Texas

March 31, 2011

DYNCORP INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands)	Fiscal Quarter Ended July 2, 2010	Fiscal Year Ended April 2, 2010	Fiscal Year Ended April 3, 2009
Revenue	$ 944,713	$ 3,572,459	$ 3,092,974
Cost of services	(856,974)	(3,225,250)	(2,766,969)
Selling, general and administrative expenses	(38,513)	(106,401)	(103,277)
Depreciation and amortization expense	(10,263)	(41,639)	(40,557)
Operating income	38,963	199,169	182,171
Interest expense	(12,585)	(55,650)	(58,782)
Loss on early extinguishment of debt, net	—	(146)	(4,131)
Interest income	51	542	2,195
Other income, net	658	5,194	4,997
Income before income taxes	27,087	149,109	126,450
Provision for income taxes	(9,279)	(47,035)	(39,756)
Net income	17,808	102,074	86,694
Noncontrolling interests	(5,004)	(24,631)	(20,876)
Net income attributable to DynCorp International, Inc.	$ 12,804	$ 77,443	$ 65,818

See notes to consolidated financial statements.

DYNCORP INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEET

(Amounts in thousands)	April 2, 2010
ASSETS	
Current assets:	
Cash and cash equivalents	$ 122,433
Restricted cash	15,265
Accounts receivable, net of allowances of $68	849,489
Prepaid expenses and other current assets	101,971
Total current assets	1,089,158
Property and equipment, net	55,233
Goodwill	457,090
Tradename	18,976
Other intangibles, net	122,040
Deferred income taxes	6,521
Other assets, net	31,876
Total assets	$1,780,894
LIABILITIES AND EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 44,137
Accounts payable	347,068
Accrued payroll and employee costs	138,382
Deferred income taxes	19,269
Other accrued liabilities	120,662
Income taxes payable	11,408
Total current liabilities	680,926
Long-term debt, less current portion	508,010
Other long-term liabilities	8,434
Total liabilities	1,197,370
Commitments and contingencies	
Equity:	
Common stock	570
Additional paid-in capital	367,487
Retained earnings	219,708
Treasury stock	(8,942)
Accumulated other comprehensive income/(loss)	(1,121)
Total equity attributable to DynCorp International Inc.	577,702
Noncontrolling interests	5,822
Total equity	583,524
Total liabilities and equity	$1,780,894

See notes to consolidated financial statements.

DYNCORP INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Fiscal Quarter Ended July 2, 2010	Fiscal Year Ended April 2, 2010	Fiscal Year Ended April 3, 2009
Cash flows from operating activities			
Net income	$ 17,808	$ 102,074	$ 86,694
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,524	42,578	41,634
Loss on early extinguishment of debt, net	—	146	4,131
Amortization of deferred loan costs	963	3,894	3,694
Allowance for losses on accounts receivable	33	24	(185)
Earnings from equity method investees	(709)	(5,202)	(5,223)
Distributions from affiliates	—	2,988	2,439
Deferred income taxes	8,645	17,497	34,273
Equity-based compensation	3,518	2,863	1,883
Other	557	4,062	(475)
Changes in assets and liabilities:			
Restricted cash	7,082	(9,330)	5,373
Accounts receivable	8,483	(277,986)	(42,777)
Prepaid expenses and other current assets	(14,909)	21,189	(20,802)
Accounts payable and accrued liabilities	(11,820)	183,817	34,142
Income taxes payable	(8,452)	1,859	(3,930)
Net cash provided by operating activities	21,723	90,473	140,871
Cash flows from investing activities			
Cash paid for acquisitions, net of cash acquired	—	(42,889)	—
Purchase of property and equipment	(1,809)	(39,335)	(4,684)
Purchase of computer software	(1,065)	(6,711)	(2,596)
Contributions to equity method investees	—	—	(2,233)
Other investing activities	—	60	365
Net cash used in investing activities	(2,874)	(88,875)	(9,148)
Cash flows from financing activities			
Borrowings on long-term debt	85,600	193,500	323,751
Payments on long-term debt	(85,600)	(242,126)	(315,538)
Payments of deferred financing cost	—	13	(10,790)
Purchases of treasury stock	—	(712)	(8,618)
Borrowings under other financing arrangements	—	—	26,254
Payments under other financing arrangements	—	(2,011)	(26,628)
Receipt of proceeds on note receivable from DIFZ sale	—	—	500
Payments of dividends to noncontrolling interests	(5,416)	(28,086)	(5,995)
Other financing activities	(17)	35	184
Net cash used in financing activities	(5,433)	(79,387)	(16,880)
Net (decrease) increase in cash and cash equivalents	13,416	(77,789)	114,843
Cash and cash equivalents, beginning of year	122,433	200,222	85,379
Cash and cash equivalents, end of period	$135,849	$ 122,433	$ 200,222
Income taxes paid, net	$ 8,001	$ 18,686	$ 19,292
Interest paid	$ 3,181	$ 52,824	$ 58,782
Non-cash sale of DIFZ, including related financing	$ —	$ —	$ 9,545

See notes to consolidated financial statements.

DYNCORP INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive (Loss) Income	Total Equity Attributable to DynCorp International, Inc.	Noncontrolling Interests	Total Equity
					(Amounts in thousands)				
Balance at March 28, 2008	**57,000**	**$570**	**$357,026**	**$ 76,447**	**$ —**	**$(6,914)**	**$ 427,129**	**$ (3,306)**	**$ 423,823**
Comprehensive income (loss):									
Net income	—	—	—	86,694	—	—	86,694	—	86,694
Interest rate swap, net of tax	—	—	—	—	—	3,212	3,212	—	3,212
Currency translation adjustment, net of tax	—	—	—	—	—	(722)	(722)	—	(722)
Comprehensive income	—	—	—	86,694	—	2,490	89,184	—	89,184
Noncontrolling interests	—	—	—	(20,876)	—	—	(20,876)	—	(20,876)
Comprehensive income attributable to DynCorp International Inc.	—	—	—	65,818	—	2,490	68,308	—	68,308
Net income and comprehensive income attributable to noncontrolling interests	—	—	—	—	—	—	—	20,876	20,876
Sale of noncontrolling interest in DIFZ	—	—	9,220	—	—	—	9,220	—	9,220
DIFZ financing, net of tax	—	—	325	—	—	—	325		325
Treasury share repurchases	(693)	—	—	—	(8,618)	—	(8,618)		(8,618)
Equity-based compensation	—	—	(135)	—	—	—	(135)	—	(135)
Tax benefit associated with equity-based compensation	—	—	184	—	—	—	184	—	184
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(6,834)	(6,834)
Balance at April 3, 2009	**56,307**	**$570**	**$366,620**	**$142,265**	**$(8,618)**	**$(4,424)**	**$ 496,413**	**$ 10,736**	**$ 507,149**
Comprehensive income (loss):									
Net income	—	—	—	102,074	—	—	102,074	—	102,074
Interest rate swap, net of tax	—	—	—	—	—	3,244	3,244	—	3,244
Currency translation adjustment, net of tax	—	—	—	—	—	59	59	—	59
Comprehensive income	—	—	—	102,074	—	3,303	105,377	—	105,377
Noncontrolling interests	—	—	—	(24,631)	—	—	(24,631)	—	(24,631)
Comprehensive income attributable DynCorp International Inc.	—	—	—	77,443	—	3,303	80,746	—	80,746
Net income and comprehensive income attributable to noncontrolling interests	—	—	—	—	—	—	—	24,631	24,631
DIFZ financing, net of tax		—	399	—	—	—	399	—	399
Treasury share repurchases	(55)	—	—	—	(712)	—	(712)	—	(712)
Treasury shares issued to settle RSU liability	34	—	92	—	388	—	480	—	480
Equity-based compensation	—	—	341	—	—	—	341	—	341
Tax benefit associated with equity-based compensation	—	—	35	—	—	—	35	—	35
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(29,545)	(29,545)
Balance at April 2, 2010	**56,286**	**$570**	**$367,487**	**$219,708**	**$(8,942)**	**$(1,121)**	**$ 577,702**	**$ 5,822**	**$ 583,524**
Comprehensive income (loss):									
Net income	—	—	—	17,808	—	—	17,808	—	17,808
Interest rate swap, net of tax	—	—	—	—	—	717	717	—	717
Currency translation adjustment, net of tax	—	—	—	—	—	(324)	(324)	—	(324)
Comprehensive income	—	—	—	17,808	—	393	18,201	—	18,201
Noncontrolling interests	—	—	—	(5,004)	—	—	(5,004)	—	(5,004)
Comprehensive income attributable to DynCorp International Inc	—	—	—	12,804	—	393	13,197	—	13,197
Net income and comprehensive income attributable to noncontrolling interests	—	—	—	—	—	—	—	5,004	5,004
DIFZ financing, net of tax		—	109	—	—	—	109	—	109
Treasury Shares issued to settle RSU liability	22	—	124	—	245	—	369	—	369
Equity-based compensation	—	—	57	—	—	—	57	—	57
Tax benefit associated with equity-based compensation	—	—	(17)	—	—	—	(17)	—	(17)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(5,884)	(5,884)
Balance at July 2, 2010	**56,308**	**$570**	**$367,760**	**$232,512**	**$(8,697)**	**$ (728)**	**$ 591,417**	**$ 4,942**	**$ 596,359**

See notes to consolidated financial statements.

DYNCORP INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Quarter Ended July 2, 2010 and the Fiscal Years Ended April 2, 2010 and April 3, 2009

Note 1 — Significant Accounting Policies and Accounting Developments

Unless the context otherwise indicates, references herein to "we," "our," "us" or "DynCorp International" refer to DynCorp International Inc. and our consolidated subsidiaries. DynCorp International Inc., through its subsidiaries (together, the "Company"), provides defense and technical services and government outsourced solutions primarily to United States ("U.S.") government agencies domestically and internationally. Primary customers include the U.S. Department of Defense ("DoD") and U.S. Department of State ("DoS"), but also include other government agencies, foreign governments and commercial customers.

These consolidated financial statements have been prepared, pursuant to accounting principles generally accepted in the United States of America ("GAAP").

Fiscal Periods

On December 16, 2010, our board of directors approved a change in our fiscal year from a fiscal year comprised of twelve consecutive fiscal months ending on the Friday closest to March 31 to a fiscal year comprised of the twelve consecutive fiscal months ending on the Friday closest to December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of both our domestic and foreign subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company has investments in joint ventures that are variable interest entities ("VIEs"). The VIE investments are accounted for in accordance with Financial Accounting Standards Board Codification ("ASC") ASC 810 — *Consolidation*. In cases where the Company has (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE, the Company consolidates the entity. Alternatively, in cases where all of the aforementioned criteria are not met, the investment is accounted for under the equity method.

We have ownership interests in three active joint ventures that are not consolidated into our financial statements as of April 2, 2010, and are accounted for using the equity method. Economic rights in active joint ventures are indicated by the ownership percentages in the table listed below.

Babcock DynCorp Limited	44.0%
Partnership for Temporary Housing LLC	40.0%
Contingency Response Services LLC	45.0%

The following table sets forth our ownership in joint ventures that are consolidated into our financial statements as of April 2, 2010. For the entities listed below, we are the primary beneficiary as defined in ASC 810 — *Consolidation*.

Global Linguist Solutions, LLC	51.0%
DynCorp International FZ-LLC	50.0%

Noncontrolling interests

We record the impact of our consolidated joint venture partners' interests as noncontrolling interests. Noncontrolling interests is presented on the face of the income statement as an increase or reduction in arriving at Net income attributable to DynCorp International, Inc. Noncontrolling interests on the balance sheet is located in the equity section.

Revenue Recognition and Cost Estimation on Long-Term Contracts

General — We are predominantly a service provider and only include products or systems when necessary for the execution of the service arrangement and as such, systems, equipment or materials are not generally separable from services. Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, the sales price is fixed or determinable (for non-U.S. government contracts) or costs are identifiable, determinable, reasonable and allowable (for our U.S. government contracts), and collectibility is reasonably assured (for non-U.S. government contracts) or a reasonable contractual basis for recovery exists (for U.S. government contracts). Our contracts typically fall into four categories with the first representing the vast majority of our revenue. The categories are federal government contracts, construction type contracts, software contracts and other contracts. We apply the appropriate guidance consistently to similar contracts. Each arrangement is unique and revenue recognition is evaluated on a contract by contract basis. We apply the appropriate principles under GAAP consistently to similar contracts.

The evaluation of the separation and allocation of an arrangement fee to each deliverable within a multiple-deliverable arrangement is dependent upon the principles applicable to the specific arrangement.

We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. When revenue recognition is deferred relative to the timing of cost incurred, costs that are direct and incremental to a specific transaction are deferred and charged to expense in proportion to the revenue recognized.

Management regularly reviews project profitability and underlying estimates. Revisions to the estimates are reflected in the results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded to cost of services in the period the loss is determined. Loss provisions are first offset against costs that are included in inventoried assets, with any remaining amount reflected in liabilities.

Major factors we consider in determining total estimated revenue and cost include the basic contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion or proportional methods of accounting.

Federal Government Contracts — For all non-construction and non-software U.S. federal government contracts or contract elements, we apply the guidance in the ASC 912 — *Contractors Federal Government* (“ASC 912”). We apply the combination and segmentation guidance in the ASC 605-35- *Revenue-Construction Type and Production Type Contracts* (“ASC 605-35”) as directed in ASC 912, in analyzing the deliverables contained in the applicable contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method or completed contract method.

Projects under our U.S. federal government contracts typically have different pricing mechanisms that influence how revenue is earned and recognized. These pricing mechanisms are classified as cost-plus-fixed-fee, fixed-price, cost-plus-award-fee, time-and-materials (including unit-price/level-of-effort contracts), or Indefinite Delivery, Indefinite Quantity (“IDIQ”). The exact timing and quantity of delivery and pricing mechanism for IDIQ profit centers are not known at the time of contract award, but they can contain any type of pricing mechanism.

Revenue on projects with a fixed-price or fixed-fee, including award fees, is generally recognized based on progress towards completion over the contract period measured by either output or input methods appropriate to the services or products provided. For example, “output measures” can include period of service, such as for aircraft fleet maintenance, and units delivered or produced, such as aircraft for which modification has been completed. “Input measures” can include a cost-to-cost method, such as for procurement-related services.

Revenue on time-and-materials projects is recognized at contractual billing rates for applicable units of measure (e.g. labor hours incurred or units delivered).

The completed contract method is sometimes used when reliable estimates cannot be supported for percentage-of-completion method recognition or for short duration projects when the results of operations would not vary materially from those resulting from use of the percentage-of-completion method. Until complete, project costs are maintained in work in progress, a component of inventory reflected within *Prepaid expenses and other current assets* on the consolidated Balance Sheet.

Contract costs on U.S. federal government contracts, including indirect costs, are subject to audit and adjustment by negotiations between us and government representatives. Substantially all of our indirect contract costs have been agreed upon through 2004. Contract revenue on U.S. federal government contracts have been recorded in amounts that are expected to be realized upon final settlement.

Award fees are recognized based on the guidance in ASC 605-35, as directed by ASC 912. Award fees are excluded from estimated total contract revenue until a historical basis has been established for their receipt or the estimation or award criteria have been met including the completion of the award fee period at which time the award amount is included in the percentage-of-completion estimation.

Construction Contracts or Contract Elements — For all construction contracts or contract elements, we apply the combination and segmentation guidance found in ASC 605-35, as directed by ASC 910 *Contractors Construction* ("ASC-910"), in analyzing the deliverables contained in the contract to determine appropriate profit centers. Revenue is recognized by profit center using the percentage-of-completion method.

Software Contracts or Contract Elements — It is our policy to review any arrangement containing software or software deliverables against the criteria contained in ASC 985 — *Software* ("ASC 985"). In addition, ASC 605-25- *Revenue Multiple Element Arrangements* ("ASC 605-25") is also applied to determine if any non-software deliverables are outside of the scope of ASC 985 when the software is more than incidental to the products or services as a whole. Under the provisions of ASC 985, software deliverables are separated and contract value is allocated based on Vendor Specific Objective Evidence ("VSOE"). We have never sold software on a separate standalone basis. As a result, software arrangements are typically accounted for as one unit of accounting and are recognized over the service period, including the period of post-contract customer support. All software arrangements requiring significant production, modification, or customization of the software are accounted for under ASC 605-25 as directed by ASC 985.

Other Contracts or Contract Elements — Our contracts with non-U.S. federal government customers are predominantly multiple-element. Multiple-element arrangements involve multiple obligations in various combinations to perform services, deliver equipment or materials, grant licenses or other rights, or take certain actions. We evaluate all deliverables in an arrangement to determine whether they represent separate units of accounting per the provisions of ASC 605-25 and arrangement consideration is allocated among the separate units of accounting based on their relative fair values. Fair values are established by evaluating VSOE or third-party evidence if available. Due to the customized nature of our arrangements, VSOE and third-party evidence is generally not available resulting in applicable arrangements being accounted for as one unit of accounting under the guidance of ASC 605-25.

We apply the guidance in ASC 605-15 — *Revenue Products*, or ASC 605-20 — *Revenue Services*. The timing of revenue recognition for a given unit of accounting will depend on the nature of the deliverable(s) and whether revenue recognition criteria have been met. The same pricing mechanisms found in U.S. federal government contracts are found in our other contracts.

Cash and cash equivalents

For purposes of reporting cash and cash equivalents, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash

Restricted cash represents cash restricted by certain contracts in which advance payments are not available for use except to pay specified costs and vendors for work performed on the specific contract.

Changes in restricted cash related to our contracts are included as operating activities whereas changes in restricted cash for funds invested as collateral are included as investing activities in the consolidated statements of cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis, including but not limited to, those relating to allowances for doubtful accounts, fair value and impairment of intangible assets and goodwill, income taxes, profitability on contracts, anticipated contract modifications, contingencies and litigation. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts against specific billed receivables based upon the latest information available to determine whether invoices are ultimately collectible. Such information includes the historical trends of write-offs and recovery of previously written-off accounts, the financial strength of the respective customer, and projected economic and market conditions. The evaluation of these factors involves subjective judgments and changes in these factors may cause an increase to our estimated allowance for doubtful accounts, which could significantly impact our consolidated financial statements by incurring bad debt expense. Given that we primarily serve the U.S. government, management believes the risk is low that changes in our allowance for doubtful accounts would have a material impact on our financial results.

Property and Equipment

The cost of property and equipment, less applicable residual values, is depreciated using the straight-line method. Depreciation commences when the specific asset is complete, installed and ready for normal use. Depreciation related to equipment purchased for specific contracts is typically included within cost of services, as this depreciation is directly attributable to project costs. We evaluate property and equipment for impairment quarterly by examining factors such as existence, functionality, obsolescence and physical condition. In the event that we experience impairment, we revise the useful life estimate and record the impairment as an addition to depreciation expense and accumulated depreciation. Our standard depreciation and amortization policies are as follows:

Computer and related equipment	3 to 5 years
Furniture and other equipment	2 to 10 years
Leasehold improvements	Shorter of lease term or useful life

Impairment of Long Lived Assets

Our long lived assets are primarily made up of customer related intangibles. The initial values assigned to customer-related intangibles were the result of fair value calculations associated with business combinations. The values were determined based on estimates and judgments regarding expectations for the estimated future after-tax cash flows from those assets over their lives, including the probability of expected future contract renewals and sales, less a cost-of-capital charge, all of which was discounted to present value. We evaluate the carrying value of our customer-related intangibles on a quarterly basis. The customer related intangible carrying value is considered impaired when the anticipated undiscounted cash flows from such asset is less than its carrying value. In that case, a loss is recognized based on the amount by which the carrying value exceeds the fair value.

Indefinite- Lived Assets

Indefinite-lived assets, including goodwill and indefinite-lived tradename, are not amortized but are subject to an annual impairment test. The first step of the goodwill impairment test compares the fair value of each of our reporting units with its carrying amount, including indefinite-lived assets. If the fair value of a reporting unit exceeds its carrying amount, the indefinite-lived assets of the reporting unit are not considered impaired, and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any.

We evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable. Based on the results of these tests, no impairment losses were identified for the fiscal years ended April 2, 2010 and April 3, 2009. See Note 2 to the audited consolidated financial statements for additional discussion on indefinite-lived assets.

Income Taxes

We file income, franchise, gross receipts and similar tax returns in many jurisdictions. Our tax returns are subject to audit by the Internal Revenue Service, most states in the U.S., and by various government agencies representing many jurisdictions outside the U.S.

We use the asset and liability approach for financial accounting and reporting for income taxes in accordance with the Financial Accounting Standards Board ("FASB") Codification. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is made up of current expense which includes both permanent and temporary differences and deferred expense which only includes temporary differences. Income tax expense is the amount of tax payable for the period plus or minus the change in deferred tax assets and liabilities during the period.

We make a comprehensive review of our portfolio of uncertain tax positions regularly. The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. A liability is recorded when a benefit is recognized for a tax position and it is not more-likely-than-not that the position will be sustained on its technical merits or where the position is more-likely-than-not that it will be sustained on its technical merits, but the largest amount to be realized upon settlement is less than 100% of the position. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. Tax-related interest is classified in interest expense and tax-related penalties are classified in income tax expense. See Note 3 to the audited consolidated financial statements for additional detail regarding uncertain tax positions.

Equity-Based Compensation Expense

We have adopted the provisions of, and accounted for equity-based compensation in accordance with ASC 718 — *Compensation-Stock Compensation*. Under the fair value recognition provisions, equity-based compensation expense is measured at the grant date based on the fair value of the award and is recognized on an graded basis over the requisite service period for each separately vesting portion of the award, adjusted for estimated forfeitures. Our RSUs were determined to be liability awards; therefore, the fair value of the RSUs were remeasured at each financial reporting date as long as they remained liability awards.

Currency Translation

The assets and liabilities of our subsidiaries, that are outside the U.S. and that have a functional currency that is not the U.S. dollar, are translated into U.S. dollars at the rates of exchange in effect at the balance sheet

dates. Income and expense items, for these subsidiaries, are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions and the remeasurement of the financial statements of U.S. functional currency foreign subsidiaries are recognized currently in income and those resulting from translation of financial statements are included in accumulated other comprehensive income.

Operating Segments

On April 4, 2009, we announced a reorganization of our business structure to better align with strategic markets and to streamline our infrastructure. Under the new alignment, our three reportable segments were realigned into three new segments, two of which, Global Stabilization and Development Solutions ("GSDS") and Global Platform Support Solutions ("GPSS"), are wholly-owned, and a third segment, Global Linguist Solutions ("GLS"), is a 51% owned joint venture, which was deconsolidated as of the Merger. The new structure became effective April 4, 2009, the start of our 2010 fiscal year, and is more fully described in Note 16.

Accounting Developments

Pronouncements Implemented

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards No. 167-*Amendments to FASB Interpretation 46(R)* ("SFAS No. 167"). SFAS No. 167 was converted to Financial Accounting Standards Update 2009-17 and was incorporated into Financial Accounting Standards Codification 810 — *Consolidation*. This statement amends the guidance for (i) determining whether an entity is a VIE, (ii) determining the primary beneficiary of a VIE, (iii) requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and (iv) changing the disclosure requirements formerly listed in FASB Interpretation 46(R)-8. This statement was effective for us beginning April 3, 2010. The adoption of this statement did not impact our consolidation conclusions in the first quarter of fiscal year 2011.

Pronouncements not yet Implemented

In October 2009, the FASB issued ASU No. 2009-13 — *Revenue Recognition Multiple-Deliverable Revenue Arrangements*. This update (i) removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, (ii) replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the fair value measurements and disclosures guidance, (iii) provides a hierarchy that entities must use to estimate the selling price, (iv) eliminates the use of the residual method for allocation, and (v) expands the ongoing disclosure requirements. The amendments in this update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

In October 2009, the FASB issued ASU No. 2009-14 — *Certain Revenue Arrangements That Include Software Elements, which updates ASC 985 — Software* and clarifies which accounting guidance should be used for purposes of measuring and allocating revenue for arrangements that contain both tangible products and software, and where the software is more than incidental to the tangible product as a whole. The amendments in this update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-17 — *Milestone Method of Revenue Recognition — Consensus of the FASB Emerging Issues Task Force*, which amends ASC 605 — *Revenue Recognition.* This ASU establishes authoritative guidance permitting the use of the milestone method of revenue recognition for research or development arrangements that contain payment provisions or consideration contingent on the

achievement of specified events. This guidance is effective for milestones achieved in fiscal years beginning on or after June 15, 2010 and allows for either prospective or retrospective application, with early adoption permitted. Management does not believe that adoption of this ASU will have a material effect on our consolidated financial position and results of operations.

Note 2 — Goodwill and other Intangible Assets

We evaluate goodwill for impairment annually and when an event occurs or circumstances change to suggest that the carrying value may not be recoverable.

We estimate a portion of the fair value of our reporting units under the income approach by utilizing a discounted cash flow model based on several factors including balance sheet carrying values, historical results, our most recent forecasts, and other relevant quantitative and qualitative information. We discount the related cash flow forecasts using the weighted-average cost of capital at the date of evaluation. We also use the market approach to estimate the remaining portion of our reporting unit valuation. This technique utilizes comparative market multiples in the valuation estimate. We have historically applied a 50%/50% weighting to each approach. While the income approach has the advantage of utilizing more company specific information, the market approach has the advantage of capturing market based transaction pricing. The estimates and assumptions used in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties.

On April 4, 2009, we announced a reorganization of our business structure to better align with strategic markets and streamline our infrastructure. Under this alignment, our three reportable segments were realigned into three new segments, two of which, GSDS and GPSS, are wholly-owned, and a third segment GLS, which is a 51% owned joint venture. The new structure became effective April 4, 2009 and represented the segment structure as of July 2, 2010. See Note 16, for further discussion on segments.

The following tables provide information about our goodwill balances:

(Amounts in thousands)	GSDS	GPSS	GLS	Total
Balance as of April 3, 2009	$211,135	$213,189	$—	$424,324
Phoenix acquisition	29,308	—	—	29,308
Casals acquisition	3,458	—	—	3,458
Goodwill balance as of April 2, 2010	$243,901	$213,189	$—	$457,090

The following tables provide information about changes relating to intangible assets:

	April 2, 2010			
(Amounts in thousands, except years)	Weighted Average Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net
Other intangible assets:				
Customer-related intangible assets	8.5	$293,807	$(189,847)	$103,960
Other	6.6	29,923	(11,843)	18,080
Total other intangibles		$323,730	$(201,690)	$122,040
Tradenames				
Finite-lived	5.0	$ 706	$ (48)	$ 658
Indefinite-lived		18,318	—	18,318
Total tradenames		$ 19,024	$ (48)	$ 18,976

Amortization expense for customer-related intangibles, other intangibles, and finite-lived tradename was $9.5 million during the fiscal quarter ended July 2, 2010, $38.9 million for the fiscal year ended April 2, 2010 and $37.9 million for the fiscal year ended April 3, 2009, respectively.

The following schedule outlines an estimate of future amortization based upon the finite-lived intangible assets owned at April 2, 2010:

	Amortization Expense (1)
	(Amounts in thousands)
Estimate for fiscal year 2011	$36,480
Estimate for fiscal year 2012	25,610
Estimate for fiscal year 2013	21,695
Estimate for fiscal year 2014	10,213
Estimate for fiscal year 2015	9,953
Thereafter	18,747

(1) The future amortization is inclusive of the finite lived intangible-assets and finite-lived tradename.

Note 3 — Income Taxes

The provision for income taxes consists of the following:

	Fiscal Quarter Ended	Fiscal Year Ended	
(Amounts in thousands)	July 2, 2010	April 2, 2010	April 3, 2009
Current portion:			
Federal	$ (138)	$23,178	$ (1,052)
State	278	1,954	1,137
Foreign	494	4,406	5,398
	634	29,538	5,483
Deferred portion:			
Federal	8,421	16,998	33,199
State	218	470	1,110
Foreign	6	29	(36)
	8,645	17,497	34,273
Provision for income taxes	$9,279	$47,035	$39,756

Temporary differences, which give rise to deferred tax assets and liabilities, were as follows:

(Amounts in thousands)	**April 2, 2010**
Deferred tax assets related to:	
Worker's compensation accrual	$ 4,589
Accrued vacation	5,510
Billed and unbilled reserves	2,077
Completion bonus allowance	4,572
Accrued severance	739
Accrued executive incentives	4,984
Legal reserve	4,102
Accrued health costs	1,367
Leasehold improvements	820
Interest rate swap	478
Suspended loss from consolidated partnership	3,572
Asset for uncertain tax positions	10,522
Contract loss reserve	3,099
Other accrued liabilities and reserves	1,929
Total deferred tax assets	48,360
Deferred tax liabilities related to:	
Partnership / Joint Venture Basis Differences	(1,021)
Prepaid insurance	(2,164)
Customer intangibles	(19,057)
Unbilled receivables	(37,534)
DIFZ sale	(1,332)
Total deferred tax liabilities	(61,108)
Deferred tax (liabilities) assets, net	$(12,748)

Deferred tax assets and liabilities are reported as:

(Amounts in thousands)	**April 2, 2010**
Current deferred tax liabilities	$(19,269)
Non-current deferred tax assets	6,521
Deferred tax liabilities, net	$(12,748)

In evaluating our deferred tax assets, we assess the need for related valuation allowances or adjust the amount of any allowances, if necessary. We assess such factors as the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and available tax planning strategies in determining the need for or sufficiency of a valuation allowance. Based on this assessment, we concluded no valuation allowances were necessary for the fiscal year ended April 2, 2010.

A reconciliation of the statutory federal income tax rate to our effective rate is provided below:

	Fiscal Quarter Ended	Fiscal Year Ended	
	July 2, 2010	April 2, 2010	April 3, 2009
Statutory rate	35.0%	35.0%	35.0%
State income tax, less effect of federal deduction	1.4%	1.1%	1.4%
Noncontrolling interests	(6.0%)	(5.8)%	(5.8)%
Other	3.9%	1.2%	0.8%
Effective tax rate	34.3%	31.5%	31.4%

For the fiscal quarter ended July 2, 2010, our effective tax rate was 34.3%. The calculation of the effective tax rate below the U.S. marginal federal statutory rate of 35% was primarily due to the impact of our consolidated joint ventures which are GLS and DynCorp International FZ-LLC ("DIFZ"). These are consolidated for financial reporting purposes, but are considered unconsolidated entities for U.S. income tax purposes.

Uncertain Tax Positions

The amount of unrecognized tax benefits at April 2, 2010 was $12.7 million, of which $2.2 million would impact our effective tax rate if recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Amounts in thousands)	April 2, 2010
Balance at April 3, 2009	$ 6,087
Additions for tax positions related to current year	1,907
Additions for tax positions taken in prior years	5,133
Reductions for tax positions of prior years	
Settlements	(381)
Lapse of statute of limitations	—
Balance at April 2, 2010	$12,746

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, we do not expect the change to have a significant impact on the results of operations or our financial position.

We recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense in our Consolidated Statements of Operations, which is consistent with the recognition of these items in prior reporting periods. We have recorded a liability of approximately $0.8 million for the payment of interest and penalties for the fiscal year ended April 2, 2010.

We file income tax returns in U.S. federal and state jurisdictions and in various foreign jurisdictions. The statute of limitations is open for U.S. federal for our fiscal year 2008 forward. The statute of limitations for state income tax returns is open for our fiscal year 2008 and forward, with few exceptions, and foreign income tax examinations for the calendar year 2007 forward.

Note 4 — Accounts Receivable

Accounts Receivable, net consisted of the following:

(Amounts in thousands)	April 2, 2010
Billed	$250,166
Unbilled	599,323
Total	$849,489

Unbilled receivables as of April 2, 2010 include $53.8 million related to costs incurred on projects for which we have been requested by the customer to begin work under a new contract or extend work under an existing contract and for which formal contracts or contract modifications have not been executed at the end of the respective periods. This amount includes contract claims of $0.3 million as of April 2, 2010. The balance of unbilled receivables consists of costs and fees billable immediately, on contract completion or other specified events, all of which is expected to be billed and collected within one year, except items that may result in a request for equitable adjustment or a formal claim.

Note 5 — 401(k) Savings Plans

Effective March 1, 2006, we established the DynCorp International Savings Plan (the "Savings Plan"). The Savings Plan is a participant-directed, defined contribution, 401(k) plan for the benefit of employees meeting certain eligibility requirements. The Savings Plan is intended to qualify under Section 401(a) of the U.S. Internal Revenue Code (the "Code"), and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under the Savings Plan, participants may contribute from 1% to 50% of their earnings, except for highly compensated employees who can only contribute up to 10% of their gross salary. Contributions are made on a pre-tax basis, limited to annual maximums set by the Code. The current maximum contribution per employee is sixteen thousand five hundred dollars per calendar year. Company matching contributions are also made in an amount equal to 100% of the first 2% of employee contributions and 50% of the next 6%, up to ten thousand dollars per calendar year are invested in various funds at the discretion of the participant. We incurred Savings Plan expense of approximately $3.2 million for the fiscal quarter ended July 2, 2010, $11.6 million for the fiscal year ended April 2, 2010 and $11.3 million for the fiscal year ended April 3, 2009, respectively. All Savings Plan expenses are fully funded.

We participate in a number of multi-employer plans with unions that we have collective bargaining agreements with. We contribute to these plans based on specified hourly rates for eligible hours. We contributed $1.2 million during the fiscal quarter ended July 2, 2010, $2.9 million for the fiscal year ended April 2, 2010 and $1.9 million for the fiscal year ended April 3, 2009, respectively.

Note 6 — Long-Term Debt

Our debt consisted of the following as of April 2, 2010:

(Amounts in thousands)	**April 2, 2010**
Term loans	$176,637
9.5% Senior subordinated notes	375,510
Total debt	552,147
Less current portion of long-term debt	(44,137)
Total long-term debt	$508,010

In connection with the Merger on July 7, 2010, substantially all of our debt outstanding as of July 2, 2010 was extinguished and replaced with new debt described below. We classified our outstanding debt between current and long-term during the quarter ended July 2, 2010 due to our intent and ability to refinance the majority of the outstanding debt on a long-term basis.

Senior Secured Credit Facility

On July 28, 2008 we entered into a senior secured credit facility (the "Credit Facility") consisting of a revolving credit facility of $200.0 million (including a letter of credit sub-facility of $125.0 million) (the "Revolving Facility") and a senior secured term loan facility of $200.0 million (the "Term Loan"). The maturity date of the Credit Facility is August 15, 2012. To the extent that the letter of credit sub-facility is utilized, it reduces the borrowing capacity on the Revolving Facility.

On July 28, 2008, we borrowed $200.0 million under the Term Loan at the applicable three-month London Interbank Offered Rate ("LIBOR") plus the applicable margin then in effect and issued an additional $125.0 million in 9.5% senior subordinated notes (see note below) to refinance the existing credit facility and term loan and pay certain transaction costs. The applicable margin for LIBOR as of April 2, 2010 was 2.25% per annum, resulting in an actual interest rate under the Term Loan of 2.53% as of April 2, 2010. The LIBOR rate is partially hedged through our swap agreements, as disclosed in Note 9. Deferred financing fees totaling $4.4 million were expensed in conjunction with the termination of the existing credit facility in the second quarter of fiscal year 2009. Deferred financing fees associated with the Credit Facility totaling $5.2 million were recorded in Other Assets on our consolidated balance sheet in fiscal year 2009. The unamortized deferred financing fees associated with the new Credit Facility totaled $3.5 million as of April 2, 2010. As of April 2, 2010, we had $176.6 million outstanding under our Term Loan at LIBOR plus the Applicable Margin.

Borrowings under the Revolving Facility bear interest at a rate per annum equal to either the Base Rate plus an applicable margin determined by reference to the leverage ratio, as set forth in the Credit Facility ("Applicable Margin") or LIBOR plus the Applicable Margin. As of April 2, 2010 and April 3, 2009, we had no outstanding borrowings under the Revolving Facility.

On March 6, 2009 we entered into an amendment of our existing secured credit agreement dated as of July 28, 2008 with Wachovia Bank, National Association, as Administrative Agent. In addition to certain other changes, the amendment reduced certain excess cash flow repayment requirements as defined under the Credit Facility and expanded the current ability to repurchase our common stock and include the right to redeem a portion of the 9.5% senior subordinated notes due 2013. As further described in Note 8, our board of directors approved a plan in fiscal year 2009 that allowed for $25 million in repurchases for a combination of common stock and/or senior subordinated notes per fiscal year during fiscal years 2009 and 2010.

Our available borrowing capacity under the Revolving Facility totaled $170.0 million at April 2, 2010, which gives effect to $30.0 million of outstanding letters of credit under the letter of credit sub-facility. With respect to each letter of credit, a quarterly commission in an amount equal to the face amount of such letter of credit multiplied by the Applicable Margin and a nominal fronting fee are required to be paid. The combined rate as of April 2, 2010 was 2.375%.

We were required, under certain circumstances as defined in our Credit Facility, to use a percentage of cash generated from operations to reduce the outstanding principal of our Term Loan. Based on the fiscal year 2010 financial performance and ending balances, we do not expect to be required to make such a payment.

The Credit Facility contains various financial covenants, including minimum interest and leverage ratios, and maximum capital expenditures limits. Non-financial covenants restrict our ability to dispose of assets; incur additional indebtedness, prepay other indebtedness or amend certain debt instruments; pay dividends; create liens on assets; enter into sale and leaseback transactions; make investments, loans or advances; issue certain equity instruments; make acquisitions; engage in mergers or consolidations or engage in certain transactions with affiliates; and otherwise restrict certain corporate activities. We were in compliance with these various financial covenants as of April 2, 2010. A change of control is an Event of Default under the Credit Facility and triggers certain rights and remedies of the Lenders including acceleration of the obligations. A change of control would be triggered in the event we close the proposed Merger. The pre-Merger indebtedness under the Credit Facility was repaid concurrently with the proposed Merger.

The fair value of our borrowings under our Credit Facility approximated 99.5% of the carrying amount based on quoted values as of April 2, 2010.

9.5% Senior Subordinated Notes

In February 2005, we completed an offering of $320.0 million in aggregate principal amount of our 9.5% senior subordinated notes due on February 15, 2013. Proceeds from the original issuance of the senior subordinated notes, net of fees, were $310.0 million and were used to pay the consideration for, and fees and expenses relating to our 2005 formation as an independent company from Computer Sciences Corporation. Interest on the senior subordinated notes is due semi-annually. The senior subordinated notes are general unsecured obligations of our Operating Company, DynCorp International LLC, and certain guarantor subsidiaries of DynCorp International LLC, and contain certain covenants and restrictions, which limit our Operating Company's ability to pay us dividends.

In July 2008, we completed an offering in a private placement pursuant to Rule 144A under the Securities Act of 1933, as amended, of $125.0 million in aggregate principal amount of additional 9.5% senior subordinated notes under the same indenture as the senior subordinated notes issued in February 2005. Net proceeds from the additional offering of senior subordinated notes, combined with proceeds from the Credit Facility, were used to refinance the then existing senior secured credit facility, to pay related fees and expenses and for general corporate purposes. The additional senior subordinated notes also mature on February 15, 2013. The additional senior subordinated notes were issued at approximately a 1.0% discount totaling $1.2 million. Deferred financing fees associated with this offering totaled $4.7 million. The unamortized deferred financing fees as of April 2, 2010 for all of the senior subordinated notes totaled $6.2 million.

The senior subordinated notes contain various covenants that restrict our ability to make certain payments including declaring or paying certain dividends, purchasing or retiring certain equity interests, prepaying or retiring indebtedness subordinated to the Notes, or make certain investments unless we meet certain financial thresholds including a Fixed Coverage Ratio (as defined in the Notes) above 2.0. Additionally, the Notes restrict our ability to incur additional indebtedness; sell assets, engage in certain transactions with affiliates; create liens on assets; make acquisitions; engage in mergers or consolidations; and otherwise restrict certain corporate activities. We were in compliance with these various financial covenants as of April 2, 2010.

We can redeem the senior subordinated notes, in whole or in part, at defined redemption prices, plus accrued interest to the redemption date. The senior subordinated notes may require us to repurchase the senior subordinated notes at defined prices in the event of certain specified triggering events, including but not limited to certain asset sales, change-of-control events, and debt covenant violations. In fiscal year 2009, under a Board authorized program, we redeemed approximately $16.1 million face value of our senior subordinated notes in the open market for $15.4 million, including transaction fees. The repurchases, when including the impact of the discount and deferred financing fees, produced an overall gain of $0.3 million. In fiscal year 2010, under the same board authorized program, we redeemed approximately $24.7 million face value of our senior subordinated notes in the open market for $24.3 million, including transaction fees. The repurchases, when including the impact of the discount and deferred financing fees, produced an overall debt extinguishment loss of $0.1 million.

The fair value of the senior subordinated notes is based on their quoted market value. As of April 2, 2010, the quoted market value of the senior subordinated notes was approximately 102.2% of stated value. The fiscal year 2010 effective interest rate for the entire outstanding senior subordinated note principal balance as of April 2, 2010 was 9.6%, including the impact of the discount.

A change of control under the senior subordinated notes requires a cash tender offer for the outstanding bonds at a set price of 101% of the principal plus accrued and unpaid interest. The holders under the senior subordinated notes have the right to reject the tender offer and if so, these notes would stay outstanding.

Note 7 — Commitments and Contingencies

Commitments

We have operating leases for the use of real estate and certain property and equipment, which are either non-cancelable, cancelable only by the payment of penalties or cancelable upon one month's notice. All lease

payments are based on the lapse of time but include, in some cases, payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms, but most leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in base rents, utilities and property taxes. Rental expense was $13.7 million for the fiscal quarter ended July 2, 2010 and $55.6 million and $55.0 million for the fiscal years ended April 2, 2010 and April 3, 2009, respectively.

Minimum fixed rentals non-cancelable for the next five years and thereafter under operating leases in effect as of April 2, 2010, are as follows:

	Real Estate	Equipment	Total
Fiscal Year	(Amounts in thousands)		
2011	$11,892	$ 4,341	$ 16,233
2012	11,613	4,220	15,833
2013	11,449	3,945	15,394
2014	9,290	3,658	12,948
2015	7,469	3,603	11,072
Thereafter	26,303	14,100	40,403
Total	$78,016	$33,867	$111,883

We have no significant long-term purchase agreements with service providers.

Contingencies

General Legal Matters

We are involved in various lawsuits and claims that have arisen in the normal course of business. In most cases, we have denied, or believe we have a basis to deny any liability. Related to these matters, we have recorded reserves totaling approximately $11.4 million as of April 2, 2010. While it is not possible to predict with certainty the outcome of litigation and other matters discussed below, we believe that liabilities in excess of those recorded, if any, arising from such matters would not have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

Pending litigation and claims

On May 14, 2008, a jury in the Eastern District of Virginia found against us in a case brought by a former subcontractor, Worldwide Network Services (“WWNS”), on two Department of State (“DoS”) contracts, in which WWNS alleged racial discrimination, tortuous interference and certain other claims. The Company accrued approximately $17.1 million related to the claim. WWNS was awarded approximately $20.5 million in compensatory, contractual and punitive damages and attorneys’ fees, and we were awarded approximately $0.2 million on a counterclaim. On February 2, 2009, we filed an appeal with respect to this matter. On February 12, 2010, the Court of Appeals vacated $10 million in punitive damages, remanded the case for a new trial on punitive damages, and imposed a $350,000 cap on any possible new punitive damages award. WWNS filed a petition seeking re-hearings, which the Court denied. In the fourth quarter of fiscal year 2010, we reversed the previously accrued punitive damages of $10 million, creating a reduction in selling, general and administrative expenses. On June 7, 2010, we paid WWNS the amount of the previously unpaid awarded non-punitive damages, approximately $5.8 million. On June 25, 2010, WWNS filed a Petition for a Writ of Certiori to the U.S. Supreme Court, which was denied on October 4, 2010. In 2011, we accrued and paid $0.4 million, the remainder of the legal fees associated with the case. On March 14, 2011, the trial court dismissed with prejudice the remanded punitive damages claim. The case is now closed.

On December 4, 2006, December 29, 2006, March 14, 2007 and April 24, 2007, four lawsuits were served, seeking unspecified monetary damages against DynCorp International LLC and several of its former affiliates in

the U.S. District Court for the Southern District of Florida, concerning the spraying of narcotic plant crops along the Colombian border adjacent to Ecuador. Three of the lawsuits, filed on behalf of the Provinces of Esmeraldas, Sucumbíos, and Carchi in Ecuador, allege violations of Ecuadorian law, international law, and statutory and common law tort violations, including negligence, trespass, and nuisance. The fourth lawsuit, filed on behalf of citizens of the Ecuadorian provinces of Esmeraldas and Sucumbíos, alleges personal injury, various counts of negligence, trespass, battery, assault, intentional infliction of emotional distress, violations of the Alien Tort Claims Act and various violations of international law. The four lawsuits were consolidated, and based on our motion granted by the court, the case was subsequently transferred to the U.S. District Court for the District of Columbia. On March 26, 2008, a First Amended Consolidated Complaint was filed that identified 3,266 individual plaintiffs. As of January 12, 2010, 1,256 of the plaintiffs have been dismissed by court orders and, on September 15, 2010, the Provinces of Esmeraldas, Sucumbíos, and Carchi were dismissed by court order. The amended complaint does not demand any specific monetary damages; however, a court decision against us, although we believe to be remote, could have a material adverse effect on our results of operations and financial condition, if we are unable to seek reimbursement from the DoS. The aerial spraying operations were and continue to be managed by us under a DoS contract in cooperation with the Colombian government. The DoS contract provides indemnification to us against third-party liabilities arising out of the contract, subject to available funding.

A lawsuit filed on September 11, 2001, and amended on March 24, 2008, seeking unspecified damages on behalf of twenty-six residents of the Sucumbíos Province in Ecuador, was brought against our operating company and several of its former affiliates in the U.S. District Court for the District of Columbia. The action alleges violations of the laws of nations and U.S. treaties, negligence, emotional distress, nuisance, battery, trespass, strict liability, and medical monitoring arising from the spraying of herbicides near the Ecuador-Colombia border in connection with the performance of the DoS, International Narcotics and Law Enforcement contract for the eradication of narcotic plant crops in Colombia. As of January 12, 2010, fifteen of the plaintiffs have been dismissed by court order. The terms of the DoS contract provide that the DoS will indemnify our operating company against third-party liabilities arising out of the contract, subject to available funding. We are also entitled to indemnification by Computer Sciences Corporation in connection with this lawsuit, subject to certain limitations. Additionally, any damage award would have to be apportioned between the other defendants and our operating company. We believe that the likelihood of an unfavorable judgment in this matter is remote and that, even if that were to occur, the judgment is unlikely to result in a material adverse effect on our results of operations or financial condition as a result of the third party indemnification and apportionment of damages described above.

Arising out of the litigation described in the preceding two paragraphs, on September 22, 2008, we filed a separate lawsuit against our aviation insurance carriers seeking defense and coverage of the referenced claims. On November 9, 2009, the court granted our Partial Motion for Summary Judgment regarding the duty to defend, and the carriers have paid the majority of the litigation expenses. In a related action, the carriers filed a lawsuit against us on February 5, 2009, seeking rescission of certain aviation insurance policies based on an alleged misrepresentation by us concerning the existence of certain of the lawsuits relating to the eradication of narcotic plant crops. On May 19, 2010, our aviation insurance carriers filed a complaint against us seeking reformation of previously provided insurance policies and the elimination of coverage for aerial spraying. The Company believes that the claims asserted by the insurance carriers are without merit and we will defend against them vigorously.

In November 2009, a U.S. grand jury indicted one of our subcontractors on the Logistics Civil Augmentation Program ("LOGCAP IV") contract, Agility, on charges of fraud and conspiracy, alleging that it overcharged the U.S. Army on $8.5 billion worth of contracts to provide food to soldiers in Iraq, Kuwait and Jordan. These allegations were in no way related to the work performed under LOGCAP IV. Effective December 16, 2009, we removed Agility as a subcontractor on the LOGCAP IV contract and terminated the work under existing task orders. In April 2010, Agility filed an arbitration demand, asserting claims for breach of a joint venture agreement, breach of fiduciary duty and unjust enrichment. Agility is seeking a declaration that it is

entitled to a 30% share of the LOGCAP IV fees over the life of the contract. We believe our right to remove Agility was justified and no joint venture agreement exists between the parties. The case is currently in arbitration. We believe the case is without merit and we intend to vigorously defend against Agility's claims, however, based on the size of the LOGCAP IV contract and Agility's claim, a negative outcome may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

A lawsuit was filed against us on March 22, 2010, and amended on July 16, 2010, by T.E. Security Consultants, LLC ("T.E."). The lawsuit was filed in the U.S. District Court for the Eastern District of Virginia and seeks unspecified damages related to an alleged teaming agreement and subcontract to support a DoS Worldwide Personal Protection Services Air Ops Task Order. The complaint claims breach of contract, unjust enrichment/quantum meruit, fraud, constructive fraud, and misappropriation of trade secrets. The court dismissed the fraud and constructive fraud claims on August 17, 2010. No amounts were accrued on this matter as of April 2, 2010.

Litigation Relating to the Merger

On April 16, 2010, a putative class action complaint was commenced against us, the Company and its directors, Cerberus, and Cerberus' acquisition entities in the Delaware Court. In this action, captioned Shawn K. Naito v. DynCorp International Inc. et al., C.A. No. 5419–VCS, the plaintiff purported to bring the action on behalf of the public stockholders of the Company, and sought, among other things, equitable relief, to enjoin the consummation of the Merger, and fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, agreeing to the proposed Merger in which the consideration was unfair and inadequate, failing to take steps to maximize stockholder value, and putting their own interests above those of our stockholders. The complaint further alleged that Cerberus, Parent and Merger Sub aided and abetted the directors' alleged breaches of their fiduciary duties. On May 7, 2010, the Company and its directors filed an answer that denied the material substantive allegations of the complaint. On May 10, 2010, we, Cerberus and its acquisition entities filed an answer that denied the material substantive allegations of the complaint. On May 14, 2010, plaintiff filed a motion to amend its complaint to assert certain alleged failures of disclosure in the Company's preliminary proxy statement previously filed with the SEC. Such motion was granted by the Court on May 18, 2010. The proposed amended complaint continued to challenge the Company's Board's discharge of its fiduciary duties in connection with the negotiation of the Merger, and on June 2, 2010, the Company and its directors, as well as we, Cerberus and its acquisition entities, filed respective answers denying the material substantive allegations of the amended complaint. On May 17, 2010, plaintiff filed a motion for a preliminary injunction of the Merger. Along with counsel to plaintiff in the *Meehan* action described below, counsel for the parties in the *Naito* action entered into a memorandum of understanding on June 17, 2010, by which plaintiff agreed to dismiss the class action with prejudice and to release all claims and allegations against us, the Company and its directors Cerberus and the Cerberus acquisition entities arising out of or related to the amended complaint, the Merger or the Merger Agreement, allegations made in the *Meehan* action described below, any claim that we, the Company and its directors Cerberus or the Cerberus acquisition entities failed to take adequate steps to protect the interests of the Company's stockholders regarding the Merger. Although that we continued to deny the allegations, in exchange for the dismissal of the action and release of claims and allegations, the Company caused Definitive Additional Proxy Materials in Schedule 14A to be filed on July 17, 2010 with the SEC and to be mailed to our stockholders on July 18, 2010. On July 30, 2010, the parties entered into and filed with the Court a stipulation memorializing these terms. On October 13, 2010, the Court approved the stipulation and the settlement terms, including the awarding of $525,000 in attorney fees and expenses to plaintiff's counsel, and entered a judgment dismissing the action with prejudice that day.

On April 30, 2010, the Company and its directors and Cerberus' acquisition entities were named as defendants in a putative class action complaint, captioned Kevin V. Meehan v. Robert McKeon et al., C.A. No. 1:10CV 446, filed in the U.S. District Court in the Eastern District of Virginia. In the complaint, the plaintiff purported to represent a class of stockholders and sought, among other things, equitable relief, including to

enjoin us, the Company and Cerberus' acquisition entities from consummating the Merger, in addition to fees and costs. Plaintiff alleged in the complaint that the Company's directors breached their fiduciary duties by, among other things, failing to engage in an honest and fair sale process. The complaint further alleged that the Company and Cerberus' acquisition entities aided and abetted the directors' purported breaches. On May 17, 2010 plaintiff filed an amended complaint asserting claims under Section 14a of the Exchange Act, challenging disclosures and alleged omissions in the Company's proxy statement. On May 19, 2010 plaintiff filed a motion to expedite the case. On May 21, 2010 defendants filed a motion to dismiss the amended complaint and, on May 24, 2010, filed a motion for abstention, asking the court to abstain from proceeding with the case in favor of the substantively similar and earlier-filed action in Delaware described above. On May 27, 2010, the court denied plaintiff's motion to expedite discovery. Following denial of the plaintiff's motion to expedite discovery in this action, plaintiff's counsel agreed to coordinate his discovery efforts with the plaintiffs in the Delaware *Naito* action. Upon entering into the memorandum of understanding described above, the parties jointly requested the Court to stay the *Meehan* action while they endeavored to finalize the global settlement. The Court granted that stay, and later entered an order dismissing the *Meehan* action with prejudice on October 18, 2010.

U.S. Government Investigations

We primarily sell our services to the U.S. government. These contracts are subject to extensive legal and regulatory requirements, and we are occasionally the subject of investigations by various agencies of the U.S. government who investigate whether our operations are being conducted in accordance with these requirements, including as previously disclosed in our periodic filings, the Special Inspector General for Iraq Reconstruction report regarding certain reimbursements and the U.S. Department of State Office of Inspector General's records subpoena with respect to Civilian Police ("CivPol"). Such investigations, whether related to our U.S. government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and many result in no adverse action against us. We do not believe that any adverse actions arising from such matters would have a material adverse effect on our results of operations, consolidated financial condition or liquidity over the long term.

On September 17, 2008, the U.S. Department of State Office of Inspector General ("OIG") served us with a records subpoena for the production of documents relating to our Civilian Police Program in Iraq. Among other items, the subpoena sought documents relating to our business dealings with a former subcontractor, Corporate Bank. We have been cooperating with the OIG's investigation. In October 2009, we were notified by the Department of Justice that this investigation is being done in connection with a *qui tam* litigation brought by a private individual on behalf of the U.S. government and our conversations with the Department of Justice regarding this matter are ongoing. The complaint remains under seal. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

As previously disclosed in our periodic filings, we identified certain payments made on our behalf by two subcontractors to expedite the issuance of a limited number of visas and licenses from a foreign government's agencies that may raise compliance issues under the U.S. Foreign Corrupt Practices Act. We retained outside counsel to investigate these payments. In November 2009, we voluntarily brought this matter to the attention of the U.S. Department of Justice and the SEC. We are cooperating with the government's review of this matter. We are also continuing our evaluation of our internal policies and procedures. We cannot predict the ultimate consequences of this matter at this time, nor can we reasonably estimate the potential liability, if any, related to this matter. However, based on the facts currently known, we do not believe that this matter will have a material adverse effect on our business, financial condition, results of operations or cash flow.

On August 16, 2005, we were served with a Department of Justice Federal Grand Jury Subpoena seeking documents concerning work performed by a former subcontractor, Al Ghabban in 2002-2005. Specifically,

during the 2002-2005 timeframe, Al Ghabban performed line haul trucking work to transport materials throughout the Middle Eastern theater on the War Reserve Materials Program. In response to the subpoena in 2005, we provided the requested documents to the Department of Justice, and the matter was subsequently closed in 2005 without any action taken. In April 2009, we received a follow up telephone call concerning this matter from the Department of Justice Civil Litigation Division. Since that time, we have had several discussions with the government regarding the civil matter. In response to recent requests, we have provided additional information to the Department of Justice Civil Litigation Division. We are fully cooperating with the government's review. If our operations are found to be in violation of any laws or government regulations, we may be subject to penalties, damages or fines, any or all of which could adversely affect our financial results.

U.S. Government Audits

Our contracts are regularly audited by the Defense Contract Audit Agency ("DCAA") and other government agencies. These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The government also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts.

The Defense Contract Management Agency ("DCMA") formally notified us of non-compliance with Cost Accounting Standard 403, Allocation of Home Office Expenses to Segments, on April 11, 2007. We issued a response to the DCMA on April 26, 2007 with a proposed solution to resolve the area of non-compliance, which related to the allocation of corporate general and administrative costs between our divisions. On August 13, 2007, the DCMA notified us that additional information would be necessary to justify the proposed solution. We issued responses on September 17, 2007, April 28, 2008 and September 10, 2009 and the matter is pending resolution. Based on facts currently known, we do not believe the matters described in this and the preceding paragraph will have a material adverse effect on our results of operations or financial condition.

We were under audit by the Internal Revenue Service ("IRS") for employment taxes covering the years 2005 through 2007. In the course of the audit process, the IRS had questioned our treatment of exempting from U.S. employment taxes all U.S. residents working abroad for some of our foreign subsidiaries. We do not have any reserves for periods subsequent to 2007 related to this employment tax issue.

Contract Matters

In 2009, we terminated for cause a contract to build the Akwa Ibom International Airport for the State of Akwa Ibom in Nigeria. Consequently, we terminated certain subcontracts and purchase orders the customer advised us it did not want to assume. Based on our experience with this particular Nigerian state government customer, we believe the customer may challenge our termination of the contract for cause and initiate legal action against us. Our termination of certain subcontracts not assumed by the customer, including our actions to recover against advance payment and performance guarantees established by the subcontractors for our benefit is being challenged in certain instances. Although we believe our right to terminate this contract and such subcontracts was justified and permissible under the terms of the contracts, and we intend to vigorously contest any claims brought against us arising out of such terminations, if courts were to conclude that we were not entitled to terminate one or more of the contracts and damages were assessed against us, such damages could have a material adverse effect on our results of operations or financial condition. At this time, any such damages are not estimable.

Credit Risk

We are subject to concentrations of credit risk primarily by virtue of our accounts receivable. Departments and agencies of the U.S. federal government account for all but minor portions of our customer base, minimizing this credit risk. Furthermore, we continuously review all accounts receivable and recorded provisions for doubtful accounts.

Risk Management Liabilities and Reserves

We are insured for domestic worker's compensation liabilities and a significant portion of our employee medical costs. However, we bear risk for a portion of claims pursuant to the terms of the applicable insurance contracts. We account for these programs based on actuarial estimates of the amount of loss inherent in that period's claims, including losses for which claims have not been reported. These loss estimates rely on actuarial observations of ultimate loss experience for similar historical events. We limit our risk by purchasing stop-loss insurance policies for significant claims incurred for both domestic worker's compensation liabilities and medical costs. Our exposure under the stop-loss policies for domestic worker's compensation and medical costs is limited based on fixed dollar amounts. For domestic worker's compensation and employer's liability under state and federal law, the fixed-dollar amount of stop-loss coverage is $1.0 million per occurrence on most policies; but, $0.25 million on a California based policy. For medical costs, the fixed dollar amount of stop-loss coverage is from $0.25 million to $0.75 million for total costs per covered participant per calendar year.

Note 8 — Equity

Treasury Shares

In fiscal year 2009, our Board of Directors authorized us to repurchase up to $25.0 million of our common stock and/or senior subordinated notes during fiscal years 2010 and 2009, respectively. Under this authorization, the securities could be repurchased from time to time in the open market or through privately negotiated transactions at our discretion, subject to market conditions, and in accordance with applicable federal and state securities laws and regulations.

During fiscal year 2009, we purchased 693,200 of our shares for $8.6 million. During fiscal year 2010, we purchased 54,900 shares for $0.7 million. We also issued 34,296 shares to settle vested RSUs in fiscal year 2010. We have 713,804 treasury shares as of April 2, 2010. The board approval ended on April 2, 2010. The repurchases of senior subordinated notes is discussed in Note 6.

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss balance included unrealized foreign currency losses and interest rate swaps designated as cash flow hedges as of April 2, 2010 and April 3, 2009. The balance in accumulated other comprehensive loss related to unrealized foreign currency losses, net of tax, was $0.4 million and $0.5 million as of April 2, 2010 and April 3, 2009, respectively. The balance in accumulated other comprehensive loss related to interest rate swaps, net of tax, was $0.7 million and $4.0 million as of April 2, 2010 and April 3, 2009, respectively.

Note 9 — Interest Rate Derivatives

As of April 2, 2010, our derivative instruments consisted of two interest rate swap agreements, both of which had expired as of July 2, 2010. The $168.6 million derivative is designated as a cash flow hedge that effectively fixed the interest rate on the applicable notional amount of our variable rate debt. The $31.4 million swap derivative did not qualify for hedge accounting as it was fully dedesignated as of April 2, 2010.

Date Entered	Notional Amount	Fixed Interest Rate Paid *	Variable Interest Rate Received	Expiration Date
		(Amounts in thousands)		
April 2007	$168,620	4.975%	3-month LIBOR	May 2010
April 2007	$ 31,380	4.975%	3-month LIBOR	May 2010

* Plus applicable margin (2.25% as of April 2, 2010).

During the fiscal quarter ended July 2, 2010 we paid $1.6 million in net settlements and incurred $1.1 million of expenses which was recorded in interest expense. During fiscal 2010, we paid $8.9 million in net settlements and incurred $8.3 million of expenses, of which $7.8 million was recorded to interest expense and $0.5 million was recorded to other (loss)/income. During fiscal year 2009, we paid $5.8 million in net settlements and incurred $6.5 million of expenses, of which $5.3 million was recorded to interest expense and $1.2 million was recorded to other (loss)/income.

Amounts are reclassified from accumulated other comprehensive income into earnings as net cash settlements occur, changes from quarterly derivative valuations are updated, new circumstances dictating the disqualification of hedge accounting and adjustments for cumulative ineffectiveness are recorded.

The fair values of our derivative instruments and the line items on the Consolidated Balance Sheet to which they were recorded as of April 2, 2010 are summarized as follows (amounts in thousands):

Derivatives designated as hedges under ASC 815	Balance Sheet Location	Fair Value at April 2, 2010
Interest rate swaps	Other accrued liabilities	$1,385
Interest rate swaps	Other long-term liabilities	—
	Total	$1,385

Derivatives not designated as hedges under ASC 815	Balance Sheet Location	Fair Value at April 2, 2010
Interest rate swaps	Other accrued liabilities	$ 249
Interest rate swaps	Other long-term liabilities	—
	Total	$ 249
Total Derivatives		$1,634

The effects of our derivative instruments on other comprehensive income ("OCI") and our Consolidated Statements of Operations for the fiscal year ended April 2, 2010 is summarized as follows (amounts in thousands):

Derivatives Designated as Cash Flow Hedging Instruments under ASC 815	Change in OCI from Gains (Losses) Recognized in OCI on Derivatives (Effective Portion) Fiscal Year ended April 2, 2010	GAINS (LOSSES) RECLASSIFIED FROM ACCUMULATED OCI INTO INCOME (EFFECTIVE PORTION)		GAINS (LOSSES) RECOGNIZED IN INCOME ON DERIVATIVES (INEFFECTIVE PORTION)	
		Line Item in Statements of Operations	Amount	Line Item in Statements of Operations	Amount
Interest rate derivatives	$(5,085)	Interest expense	$(7,789)	Other (loss)/income, net	$—
Total	$(5,085)		$(7,789)		$—

The expenses incurred on the portion of the derivatives that did not qualify for hedge accounting is as follows for the fiscal year ended April 2, 2010 (amounts in thousands).

Derivatives not Designated as Hedging Instruments under ASC 815	AMOUNT OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE Line Item in Statements of Operations	Fiscal Year Ended April 2, 2010 Amount
Interest rate derivatives	Other (loss)/income, net	$(501)
Total		$(501)

As of April 2, 2010, we estimate that $1.1 million of losses associated with the interest rate swap related to $168.6 million of notional debt included in accumulated other comprehensive income will be reclassified into earnings over the remaining life of the derivative which expired in May 2010. The other interest rate swap does not qualify for hedge accounting and has been marked to market, which generated a $0.2 million liability as of April 2, 2010. See Note 14 for fair value disclosures associated with these derivatives.

Note 10 — Equity-Based Compensation

In accordance with ASC 718 — *Compensation-Stock Compensation*, we recognized compensation expense related to RSUs on a graded schedule over the requisite service period, net of estimated forfeitures. Under this method, we recorded equity-based compensation expense of $3.5 million, $2.9 million and $1.9 million for the fiscal quarter ended July 2, 2010 and for the fiscal years ended 2010 and 2009, respectively. As of April 2, 2010, we had provided equity-based compensation through the granting of Class B interests in DIV Holding LLC, and the granting of RSUs under our 2007 Omnibus Incentive Plan (the “2007 Plan”). In connection with the Merger on July 7, 2010, all outstanding Class B interests and restricted stock units vested.

Class B Equity

Between fiscal years 2006 and 2009, certain members of our management and outside directors were granted Class B interests in DIV Holding LLC. DIV Holding LLC conducted no operations and was established for the purpose of holding equity in our Company. As of July 2, 2010, April 2, 2010, and April 3, 2009 the aggregate individual grants owned by current and former management and directors represented approximately 4.6%, 4.6% and 4.7% of the ownership in DIV Holding LLC, respectively. The vested ownership percentage in DIV Holding LLC by Class B members totaled 4.3%, 4.3% and 3.7% as of July 2, 2010, April 2, 2010 and April 3, 2009, respectively.

The Class B interests were subject to either four-year or five-year graded vesting schedules with any unvested interest reverting to the holders of Class A interests in the event they were forfeited or repurchased. Class B interests were granted with no exercise price or expiration date. Pursuant to the terms of the operating agreement governing DIV Holding LLC, the holders of Class B interests were entitled to receive their respective ownership proportional interest of all distributions made by DIV Holding LLC provided the holders of the Class A interests had received an 8% per annum internal rate of return on their invested capital. Additionally, DIV Holding’s operating agreement limited Class B interests to 7.5% in the aggregate. In connection with the Merger on July 7, 2010, all Class B interests vested.

The grant date fair value of the Class B interest granted through fiscal year 2010 was $18.3 million. We performed a fair value analysis of the Class B interests granted prior to the initial public offering (“IPO”) using a discounted cash flow technique to arrive at a fair value of the Class B interest of $7.6 million at March 31, 2006. For the Class B interests issued prior to the IPO, our fair value analysis was based on a market value model that included the impact of the DIV Holding LLC ownership percentage, the remaining preference to Class A holders,

and a discount for lack of marketability. The discount for lack of marketability for each grant was estimated on the date of grant using the Black- Scholes-Merton put-call parity relationship computation with the following weighted average assumptions for periods as indicated below. For the Class B interests issued after the IPO, our fair value analysis was based on a market value model that included the aforementioned variables as well as the impact of our stock price and outstanding common shares.

	Fiscal Years Ended	
	April 2, 2010 (1)	April 3, 2009
Risk-free interest rate	—	4.3%
Expected volatility	—	43%
Expected lives (for Black-Scholes model input)	—	4.6 years
Annual rate of quarterly dividends	—	0%

(1) There were no grants of Class B interests in fiscal year 2010.

Since these Class B interests were redeemed through our outstanding stock held by DIV Holding LLC or cash, no potential dilutive effect existed in relation to these interests. Additionally, DIV Holding LLC had the responsibility to settle the Class B interests, therefore vested Class B interests were never our liabilities. DIV Holding LLC held 20,899,034 of our 56,286,196 outstanding shares of stock at April 2, 2010. Class B activity, for the fiscal quarter ended July 2, 2010 and the fiscal years ended April 2, 2010 and April 3, 2009, respectively, is summarized in the table below:

A summary of Class B activity during the first quarter of fiscal year 2011 is as follows:

	% Interest in DIV Holding	Grant Date Fair Value
	(Amounts in thousands)	
Balance March 28, 2008	6.2%	$13,248
Fiscal Year 2009 Grants	0.2%	867
Fiscal Year 2009 Forfeitures	(1.7)%	(4,446)
Balance April 3, 2009	4.7%	$ 9,669
Fiscal Year 2010 Forfeitures	(0.1%)	(354)
Balance April 2, 2010	4.6%	$ 9,315
First quarter fiscal year 2011 grants	0%	—
First quarter fiscal year 2011 forfeitures	0%	—
Balance July 2, 2010	4.6%	$ 9,315
April 2, 2010 vested	4.3%	$ 8,247
First quarter fiscal year 2011 vesting	0.0%	173
July 2, 2010 vested	4.3%	$ 8,420
April 2, 2010 nonvested	0.3%	$ 1,068
July 2, 2010 nonvested	0.3%	$ 895

In connection with the Merger on July 7, 2010, all Class B interests vested.

2007 Omnibus Equity Incentive Plan

In August 2007, our stockholders approved the adoption of the 2007 Omnibus Equity Incentive Plan. The 2007 Plan provided for the grant of stock options, stock appreciation rights, restricted stock and other share-based awards. Our employees, employees of our subsidiaries and non-employee members of the Board were eligible to be selected to participate in the 2007 Plan at the discretion of the Compensation Committee.

Starting in fiscal year 2008, the Compensation Committee approved the grant of RSUs to certain key employees. The RSUs had assigned value equivalent to our common stock and could be settled in cash or shares of our common stock at the discretion of the Compensation Committee. The first performance based RSUs were granted in fiscal year 2009 with similar terms, except for performance criteria.

During fiscal year 2010, we granted 36,550 service based RSUs and 571,900 performance based RSUs to certain key employees. The performance based RSU awards are tied to our financial performance, specifically fiscal year 2011 EBITDA (earnings before interest, taxes, depreciation and amortization), and cliff vest upon achievement of this target. The payouts are scaled based on actual performance results with a potential payout range of 50% to 150%. Based on current estimates, the costs of these awards are being accrued with the expectation of a 100% achievement of the performance goal.

In addition to employee grants, 14,706 service-based RSUs were granted to Board members. These awards vest within one year of grant, but include a post-vesting restriction of six months after the applicable directors' Board service ends. The RSUs have assigned value equivalent to our common stock and may be settled in cash or shares of our common stock at the discretion of the Compensation Committee of the Board.

As of July 2, 2010, 17,395 units were vested but unsettled, including 1,600 RSUs that vested during the first quarter ended July 2, 2010.

The estimated fair value of the RSUs, net of forfeitures, was approximately $13.1 million as of April 2, 2010 based on the closing market price of our stock on the grant date.

These settlements were made net of payroll tax withholding.

(Amounts in thousands, except weighted average)	Outstanding RSUs	Weighted Average Grant Date Fair Value
Outstanding, March 28, 2008	159,600	$21.49
Units granted	307,945	$15.53
Units forfeited	(66,100)	$19.04
Units vested and settled	(55,550)	$21.32
Outstanding, April 3, 2009	345,895	$16.71
Units granted	623,156	$16.91
Units forfeited	(113,103)	$16.75
Units vested and settled	(73,550)	$17.92
Outstanding, April 2, 2010	782,398	$16.75
Units granted	207,309	$16.95
Units vested and settled	(37,500)	$15.74
Outstanding July 2, 2010	952,207	$16.83

The RSUs outstanding as of July 2, 2010 included 1,250 units associated with the DIFZ incentive plan. In connection with the Merger, all RSUs held by our directors and employees vested on July 7, 2010 and were settled in cash.

Note 11 — Composition of Certain Financial Statement Captions

The following tables present financial information of certain consolidated balance sheet captions.

Prepaid expenses and other current assets — Prepaid expenses and other current assets were:

(Amounts in thousands)	April 2, 2010
Prepaid expenses	$ 37,974
Prepaid income taxes	7,391
Inventories	14,797
Available-for-sale inventory	2,250
Work-in-process	20,455
Joint venture receivables	5,188
Other current assets	13,916
Total	$101,971

Prepaid expenses include prepaid insurance, prepaid vendor deposits, and prepaid rent, none of which individually exceed 5% of current assets. We value our inventory at lower of cost or market. Available-for-sale-inventory is made up of two helicopters that will not be deployed on existing programs. During fiscal year ended April 2, 2010 we recorded $1.2 million of impairment charges to the available-for-sale helicopters on the GPSS segment. The available-for-sale value was based on a preliminary sales price to a potential buyer.

Property and equipment, net — Property and equipment, net were:

(Amounts in thousands)	April 2, 2010
Helicopters	$ 37,011
Computers and other equipment	13,668
Leasehold improvements	8,818
Office furniture and fixtures	6,697
Gross property and equipment	66,194
Less accumulated depreciation	(10,961)
Property and equipment, net	$ 55,233

Depreciation expense was $3.7 million, for the fiscal year ended April 2, 2010, including certain depreciation amounts classified as Cost of services. Accumulated depreciation was $11.0 million as of April 2, 2010. The helicopters that are included within Property and equipment were not placed in service as of April 2, 2010.

Other assets, net — Other assets, net were:

(Amounts in thousands)	April 2, 2010
Deferred financing costs, net	$ 9,661
Investment in affiliates	9,192
Palm promissory notes, long-term portion	5,900
Phoenix retention asset	4,765
Other	2,358
Total	$31,876

Deferred financing cost is amortized through interest expense. Amortization related to deferred financing costs totaled $4.2 million for the fiscal year ended April 2, 2010.

Accrued payroll and employee costs — Accrued payroll and employee costs were:

(Amounts in thousands)	April 2, 2010
Wages, compensation and other benefits	$109,827
Accrued vacation	26,208
Accrued contributions to employee benefit plans	2,347
Total	$138,382

Other accrued liabilities — Accrued liabilities were:

(Amounts in thousands)	April 2, 2010
Deferred revenue	$ 30,524
Insurance expense	29,912
Interest expense and short-term swap liability	6,681
Contract losses	8,615
Legal matters	11,402
Unrecognized tax benefit	10,211
Subcontractor retention	4,365
Other	18,952
Total	$120,662

Deferred revenue is primarily due to payments in excess of revenue recognized. Contract losses relate to accrued losses recorded on certain contracts.

Other liabilities — Other long-term liabilities were:

(Amounts in thousands)	April 2, 2010
Unrecognized tax benefit	$2,535
Long-term accrued compensation	2,204
Other	3,695
Total	$8,434

Note 12 — Related Parties, Joint Ventures and Variable Interest Entities

Management Fee

We historically paid Veritas an annual management fee of $0.3 million plus expenses to provide us with general business management, financial, strategic and consulting services. We paid $0.1 million, $0.5 million and $0.5 million to Veritas for the fiscal quarter ended July 2, 2010, the fiscal years ended April 2, 2010, and April 3, 2009, respectively. Our obligation to pay this fee was terminated on July 7, 2010 due to the change of control resulting from the Merger. See Note 20.

Variable Interest Entities

We own an interest in five active VIEs, all of which are joint ventures. These are listed as follows: (i) 40% owned Partnership for Temporary Housing LLC ("PaTH"); (ii) 45% owned Contingency Response LLC ("CRS"); (iii) 44% owned Babcock DynCorp Limited ("Babcock") (iv) 51% owned GLS; (v) and 50% owned DynCorp International FZ-LLC ("DIFZ"). We do not encounter any significant risk through our involvement in our VIEs outside the normal course of our business.

GLS is a joint venture formed in August 2006 with one partner, McNeil Technologies, for the purpose of procuring government contracts with the U.S. Army. We incur significant costs on behalf of GLS related to the normal operations of the venture. However, these costs typically support revenue billable to our customer. GLS assets and liabilities were $125.4 million and $115.1 million as of April 2, 2010. GLS revenue was $149.3 million, $734.1 million and $709.1 million during the fiscal year quarter ended July 2, 2010, and the fiscal years ended April 2, 2010 and April 3, 2009, respectively.

In July 2008 Palm Trading Investment Corp. ("Palm") purchased a 50% interest in DIFZ. After the sale, we retained virtually all power over DIFZ to direct activities that significantly impact DIFZ's economic performance and remained as sole customer allowing the Company to exert power over significant activities. Also, we will absorb the majority of expected losses or gains from the venture, based on the terms of the sale agreement. Thus, we have concluded that we were the primary beneficiary.

DIFZ provides foreign staffing, human resources and payroll services. We incur significant costs on behalf of DIFZ related to the normal operations. The vast majority of these costs are considered direct contract costs and thus billable on the various corresponding contracts supported by DIFZ services. DIFZ total assets and total liabilities were $52.2 million and $50.2 million at April 2, 2010. Additionally, DIFZ revenue was $95.0 million for the fiscal quarter ended July 2, 2010 and $407.0 million and $261.7 million for the fiscal years ended April 2, 2010 and April 3, 2009, respectively. These intercompany revenue and costs are eliminated in consolidation.

PaTH is a joint venture formed in May 2006 with two other partners for the purpose of procuring government contracts with the Federal Emergency Management Authority. CRS is a joint venture formed in March 2006 with two other partners for the purpose of procuring government contracts with the U.S. Navy. Babcock is a Joint Venture formed in January 2005 and currently provides services to the British Ministry of Defense. Mission Readiness joint venture was recently created with only the back office operations functioning.

We accounted for GLS, PaTH, CRS, and Babcock as equity method investments based on our share of (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant or the right to receive benefits from the entity that could potentially be significant to the VIE. Alternatively, we consolidated DIFZ based on the abovementioned criteria. We present our share of the PaTH and CRS earnings in "Earnings from unconsolidated affiliates" as these joint ventures are considered operationally integral. Alternatively, we present our share of the Babcock earnings in "Other income, net" as its not considered operationally integral. Current assets and total assets for our equity method investees as of April 2, 2010 totaled $65.7 million and $65.7 million, respectively. Current liabilities and total liabilities as of April 2, 2010 was $45.9 million and $49.3 million, respectively. Revenue for the equity method investees for the fiscal quarter ended July 2, 2010 and for the fiscal years ended April 2, 2010 and April 3, 2009, was $37.3 million, $179.9 million and $174.4 million, respectively. Net income for the equity method investees for the fiscal quarter ended July 2, 2010 and for the fiscal years ended April 2, 2010 and April 3, 2009 was $1.1 million, $8.8 million and $7.9 million, respectively.

In the aggregate, our maximum exposure to losses as a result of our investment in VIEs consists of our $7.7 million investment in unconsolidated subsidiaries, $5.2 million in receivables from our joint ventures, working capital funding to GLS as well as contingent liabilities that are neither probable nor reasonably estimable as of April 2, 2010. While the amount of funding we provided to GLS could significantly due to timing of payments to vendors and collections from its customer, the average balance over the 12 months ended April 2, 2010 and April 3, 2009 was approximately $24.5 million and $34.3 million, respectively.

Joint Ventures

Amounts due from our unconsolidated joint ventures totaled $10.6 million and $5.2 million as of July 2, 2010 and April 2, 2010, respectively. These receivables are a result of items purchased and services rendered by us on behalf of our unconsolidated joint ventures. We have assessed these receivables as having minimal collection risk based on our historic experience with these joint ventures and our inherent influence through our

ownership interest. The change in these receivables from April 3, 2009 to April 2, 2010 resulted in a use of operating cash for the fiscal year ended April 2, 2010 of approximately $2.6 million. The change in these receivables from April 2, 2010 to July 2, 2010 resulted in a use of operating cash for the fiscal quarter ended July 2, 2010 of approximately $5.4 million. The related revenue we earned from our unconsolidated joint ventures totaled $5.4 million, $5.3 million and $18.1 million for the fiscal quarter ended July 2, 2010 and the fiscal years ended April 2, 2010 and April 3, 2009, respectively. Additionally, we earned $0.7 million, $5.2 million and $5.2 million in equity method income for the fiscal quarter ended July 2, 2010 and fiscal years ended April 2, 2010 and April 3, 2009, respectively.

As of July 2, 2010, we held three promissory notes from Palm, which had an aggregate initial value of $9.7 million as a result of the sales price. The notes are included in (i) Prepaid expenses and other current assets and in (ii) Other assets on our audited consolidated balance sheet for the short and long-term portions, respectively. The loan balance outstanding was $8.1 million as of April 2, 2010 reflecting the initial value plus accrued interest, less payments against the promissory notes. The fair value of the notes receivable is not materially different from its carrying value.

Note 13 — Collaborative Arrangements

We participate in a collaborative arrangement with our partner on the LOGCAP IV program. During fiscal year 2010, we executed a subcontract with CH2M Hill with respect to operations on the LOGCAP IV program, which is considered a collaborative arrangement under GAAP. The purpose of this arrangement is to share some of the risks and rewards associated with this U.S. government contract. Our current share of profits is 70%.

We account for this collaborative arrangement under ASC 808 — *Collaborative Arrangements* and record revenue gross as the prime contractor. The cash inflows and outflows, as well as expenses incurred, are recorded in Cost of services in the period realized. Revenue on LOGCAP IV was $283.8 million, $583.2 million and $4.7 million for the fiscal quarter ended July 2, 2010 and for the fiscal years ended April 2, 2010 and April 3, 2009, respectively. Cost of services on LOGCAP IV was $270.9 million, $554.2 million and $6.5 million for the fiscal quarter ended July 2, 2010 and for the fiscal years ended April 2, 2010 and April 3, 2009, respectively. Our share of LOGCAP IV profits/losses was $4.0 million, $9.4 million and a loss of $2.0 million during the fiscal quarter ended July 2, 2010, the twelve months ended April 2, 2010 and the twelve months ended April 3, 2009.

Note 14 — Fair Value of Financial Assets and Liabilities

ASC 820 — *Fair Value Measurements and Disclosures* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of April 2, 2010, we held certain assets that are required to be measured at fair value on a recurring basis. These included the following:

- Cash equivalents including restricted cash which consists of petty cash, cash in-bank and short-term, highly liquid, income-producing investments with original maturities of 90 days or less. This is categorized as a Level 1 input.

We formerly had contingent earn-out compensation listed as a level-3 liability. The amount due (zero) changed from a contingency to a known amount as of December 31, 2010 and was removed from the fair value table below.

Our assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 as of April 2, 2010 were as follows:

	Fair Value Measurements at Reporting Date Using			
(amounts in thousands)	Book value of financial assets/(liabilities) as of April 2, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Cash equivalents [1]	$137,698	$137,698	$ —	$ —
Total assets measured at fair value	$137,698	$137,698	$ —	$ —
Liabilities				
Contingent earn-out consideration and compensation	$ (1,173)	$ —	$ —	$(1,173)
Interest rate derivatives	(1,634)	—	(1,634)	—
Total liabilities measured at fair value	$ (2,807)	$ —	$(1,634)	$(1,173)

(1) Includes cash equivalents and restricted cash

The table below provides reconciliation between the beginning and ending balance of items measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3) for the fiscal year ended April 2, 2010.

(Amounts in thousands)	
Beginning balance at April 4, 2009	$ —
Contingent earn-out consideration and compensation	2,707
Total gains included in earnings	(1,534)
Transfers in and/or out of Level 3	—
Ending balance at April 2, 2010	$ 1,173

Note 15 — Acquisitions

Phoenix Consulting Group, Inc.

On October 18, 2009, we acquired 100% of the outstanding shares of Phoenix, a leading provider of intelligence training, consultative and augmentation services to a wide range of U.S. government organizations. This acquisition is consistent with our goal of accelerating growth, expanding service offerings and penetrating new segments. It extends our ability to deliver compelling services to the intelligence community and national security clients. The Company funded the purchase price with cash on hand.

Phoenix has been incorporated into the GSDS operating segment as its own strategic business area representing a new service offering for us. Revenue from October 2, 2009 through April 2, 2010 totaled $13.0 million. The associated operating income was immaterial.

The purchase price is comprised of the following three elements:

(Amounts in thousands)	Purchase Elements
Cash paid at closing	$38,573
Final working capital adjustment paid during the third quarter of fiscal year 2010	1,094
Fair value of contingent earn-out consideration, as of the acquisition date, payable in fiscal year 2011	2,707
Total purchase price	$42,374

The acquisition was accounted for as a business combination pursuant to ASC 805 — *Business Combinations.* In accordance with ASC 805, the purchase price has been allocated to assets and liabilities based on their estimated fair value at the acquisition date. The following table represents the allocation of the purchase price to the acquired assets and liabilities and resulting goodwill:

(Amounts in thousands)	Reconciliation to Goodwill
Total purchase price	$ 42,374
Cash acquired	(1,762)
Receivables	(4,975)
Other assets	(4,272)
Identifiable intangible assets	(12,352)
Other liabilities assumed	10,295
Goodwill	$ 29,308

Management allocated the purchase price for the acquisition based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed. We utilized recognized valuation techniques, including the income approach and cost approach for intangible assets and the cost approach for tangible assets.

The carrying amount of receivables approximates fair value as the acquired receivables are short-term in nature and have high probability of collection. There were no significant receivables determined to be uncollectable as of the date of the acquisition. Given that Phoenix only served the U.S. government, we believe the impact of any uncollected receivables would be immaterial to our consolidated financial statements.

The purchase price includes $4.4 million held in escrow for indemnification liabilities (as defined by the stock purchase agreement) of the seller, $3.4 million of which (less any amounts applied to claims) is expected to be released in March 2011. The final $1.0 million will be released in September 2013 (less any amount applied to claims). The seller's indemnification obligations are capped at the total purchase price. In accordance with the indemnification obligations set forth in the purchase agreement, we recorded an indemnification asset of $2.5 million related to an uncertain income tax position and a payroll tax liability.

Acquired intangible assets of $12.4 million consisted of customer relationships, non-compete agreements, training materials, software, and tradename. The amortization period for these intangible assets ranges from two to ten years. We recorded $0.7 million in amortization in fiscal year 2010 covering the period of October 19, 2009 through April 2, 2010. The major classes of intangible assets valued as of the October 19, 2009 acquisition date are as follows:

Intangible Assets	Weighted Average Useful Life	Amount
(Amounts in thousands, except weighted average)		
Customer relationships	7.5	$ 2,827
Training materials	10	6,886
Software	10	2,046
Non-compete agreements	2	212
Tradename	5	381
		$12,352

The goodwill arising from the acquisition consists largely of expectations that Phoenix extends our ability to deliver compelling services to national security clients and the intelligence community. Additionally, our infrastructure and capabilities increase resources for Phoenix and provide a strong foundation for growth. The goodwill recognized is not deductible for tax purposes.

We recognized $0.7 million of acquisition related costs that were expensed in the second quarter in fiscal year 2010 and are included in selling, general and administrative expenses in our consolidated statements of operations for the fiscal year ended April 2, 2010.

The Phoenix stock purchase agreement provides for earn-out payments ranging from a minimum of zero to a maximum of $5.0 million contingent upon the achievement of certain revenue and earnings before interest, taxes, depreciation and amortization targets for the calendar year ending December 31, 2010. Approximately 80% of this payout is considered contingent purchase consideration and the other portion is considered contingent compensation. The fair value of the contingent purchase consideration arrangement was determined to be $1.1 million as of April 2, 2010 using the latest weighted fiscal year 2010 forecasts discounted based on our weighted average cost of capital. As such, we recorded a $1.7 million reduction to the earn-out liability resulting in an increase to Other income, net. Subsequent changes in the fair value of the contingent earn-out liability will be recorded in earnings.

In addition to the purchase price, we agreed with the seller to pay $7.5 million into an escrow account for retention bonuses for key Phoenix employees. The retention bonuses will be paid upon completion of the individual retention periods ranging from March 2011 to October 2012. Additionally, termination without cause, termination by reason of death or disability or resignation for good reason will result in an accelerated retention payment. Alternatively, if the employee resigns or is terminated for cause prior to completion of the retention period he/she forfeits either all or a portion of their retention bonus. One retention employee was terminated without cause in the third quarter of fiscal year 2010 which triggered a $1.7 million payment and related expense. The remainder of the deferred compensation expense will be amortized from periods ranging from 17 to 36 months after the acquisition date, over the requisite vesting periods. The remaining $5.8 million is expected to be paid in March 2011.

Casals and Associates, Inc

On January 22, 2010, we acquired 100% of the outstanding shares of Casals, a provider of management consulting services in the areas of democracy and governance, rule of law and justice, conflict management and recovery, anti-corruption and strategic communication to a wide range of U.S. government organizations. This acquisition is consistent with our goal of accelerating growth, expanding service offerings and penetrating new segments. We funded the purchase price with cash on hand.

Casals has been incorporated into the GSDS operating segment. Revenue since the acquisition totaled $4.1 million through April 2, 2010. The associated operating income has been immaterial.

The purchase price is comprised of the following elements:

(amounts in thousands)	Purchase Elements
Cash paid at closing	$5,902
Estimated working capital adjustment to be paid in fiscal year 2011	765
Total estimated purchase price	$6,667

The acquisition was accounted for as a business combination pursuant to ASC 805 — *Business Combinations.* In accordance with ASC 805, the purchase price has been allocated to assets and liabilities based on their estimated fair value at the acquisition date. The following table represents the allocation of the purchase price to the acquired assets and liabilities and resulting goodwill:

(Amounts in thousands)	Reconciliation to Goodwill
Total estimated purchase price	$ 6,667
Cash acquired	(918)
Receivables	(3,550)
Other assets	(868)
Identifiable intangible assets	(653)
Other liabilities assumed	2,780
Goodwill	$ 3,458

The $6.7 million dollar purchase price includes an estimated working capital adjustment of $0.8 million, which will be finalized in fiscal year 2011. The goodwill arising from the acquisition consists largely of expectations that Casals extends our ability to deliver services to new clients in the international development community. Additionally, our infrastructure and capabilities increase resources for Casals and provide a strong foundation for growth. The goodwill recognized is deductible for tax purposes as this business combination was treated as an asset acquisition in accordance with our 338(h)(10) election for tax purposes.

Management allocated the purchase price for the acquisition based on estimates of the fair values of the tangible assets and liabilities assumed. We utilized recognized valuation techniques, including the income approach and cost approach for intangible assets and the cost approach for tangible assets.

We recognized $0.6 million of acquisition related costs that were incurred in the third and fourth quarters and are included in selling, general and administrative expenses in our consolidated statements of operations for the fiscal year ended April 2, 2010.

The carrying amount of receivables approximates fair value as the acquired receivables are short-term in nature and have high probability of collection. There were no significant receivables determined to be uncollectable as of the date of the acquisition. Given that that majority of Casals receivables are with the U.S. government, we believe the impact of any uncollected receivables would be immaterial to our consolidated financial statements.

The purchase price includes $1.0 million held in escrow for indemnification liabilities of the seller. The escrow amount (less any amounts applied to claims) is expected to be released to the seller on or about September 22, 2011. The seller's indemnification obligations are capped at $1.1 million.

Note 16 — Segment and Geographic Information

We have three reportable segments, Global Stabilization and Development Solutions, Global Platform Support Solutions, and Global Linguist Solutions. Our GPSS operating segment provides services domestically and in foreign countries under contracts with the U.S. government and some foreign customers, whereas our GSDS and GLS operating segments primarily provide services in foreign countries with the U.S. government as the primary customer. All three segments operate principally within a regulatory environment subject to governmental contracting and accounting requirements, including Federal Acquisition Regulations, Cost Accounting Standards and audits by various U.S. federal agencies.

Certain reclassifications have been made to the historical financial data to conform to our current year presentation. In order to realign measurement of true business performance with segment presentation, we

excluded certain costs that are not directly allocable to business units from the segment results and included these costs in headquarters. Prior year amounts have been reclassified so information presented is consistent and comparable in all periods presented below.

The following is a summary of the financial information of the reportable segments reconciled to the amounts reported in the consolidated financial statements:

(Amounts in thousands)	Fiscal Quarter Ended July 2, 2010	Fiscal Year Ended April 2, 2010	Fiscal Year Ended April 3, 2009
Revenue			
Global Stabilization and Development Solutions	$507,481	$1,623,657	$1,081,121
Global Platform Support Solutions	288,229	1,213,522	1,308,046
Global Linguist Solutions	149,254	734,012	709,034
Subtotal	944,964	3,571,191	3,098,201
Headquarters — Elimination (1)	(251)	1,268	(5,227)
Total reportable segments	$944,713	$3,572,459	$3,092,974
Operating income			
Global Stabilization and Development Solutions	$ 23,911	$ 87,271	$ 63,075
Global Platform Support Solutions	19,549	110,237	121,279
Global Linguist Solutions	9,073	46,389	40,855
Subtotal	52,533	243,897	225,209
Headquarters (2)	(13,570)	(44,728)	(43,038)
Total reportable segments	$ 38,963	$ 199,169	$ 182,171
Depreciation and amortization			
Global Stabilization and Development Solutions	$ 80	$ 404	$ 119
Global Platform Support Solutions	4	129	211
Global Linguist Solutions	—	—	—
Subtotal	84	533	330
Headquarters	10,179	41,106	40,227
Total reportable segments (3)	$ 10,263	$ 41,639	$ 40,557

(1) Primarily represents eliminations of intercompany revenue earned between segments and revenue for the prior year period (in fiscal year 2010) recorded to Headquarters for the release of prior year reserves associated with a government cost audit.

(2) Headquarters operating expense primarily relate to amortization of intangible assets and other costs that are not allocated to segments and are not billable to our U.S. government customers.

(3) Excludes amounts included in Cost of services of $0.3 million, $0.9 million and $1.1 million during the fiscal quarter ended July 2, 2010, twelve months ended April 2, 2010 and twelve months ended April 3, 2009, respectively.

(Amounts in thousands) **Assets**	Fiscal Year Ended April 2, 2010
Global Stabilization and Development Solutions	$ 931,413
Global Platform Support Solutions	454,170
Global Linguist Solutions	125,398
Total reportable segments	1,510,981
Headquarters (4)	269,913
Total consolidated assets	$1,780,894

(4) Assets primarily include cash, deferred income taxes, intangible assets (excluding goodwill) and deferred debt issuance cost.

Geographic Information — Revenue by geography is determined based on the location of services provided.

	Fiscal Quarter Ended		Fiscal Year Ended			
	July 2, 2010		April 2, 2010		April 3, 2009	
	(Amounts in thousands)					
United States	$160,433	17%	$ 678,807	19%	$ 764,034	25%
Middle East [1]	716,714	76%	2,613,719	73%	1,963,292	63%
Other Americas	36,163	4%	123,043	3%	143,423	5%
Europe	12,161	1%	72,584	2%	65,975	2%
Asia-Pacific	14,071	1%	68,304	2%	84,018	3%
Other	5,171	1%	16,002	1%	72,232	2%
Total	$944,713	100%	$3,572,459	100%	$3,092,974	100%

(1) The Middle East includes but is not limited to activities in Iraq, Afghanistan, Somalia, Oman, Qatar, United Arab Emirates, Kuwait, Palestine, Sudan, Pakistan, Jordan, Lebanon, Bahrain, Yemen, Saudi Arabia, Turkey and Egypt.

Substantially all assets owned by the Company were located in the U.S. as of April 2, 2010.

Revenue from the U.S. government accounted for approximately 98% of total revenue for the fiscal quarter ended July 2, 2010 and approximately 98% and 95% of total revenue during the fiscal years ended April 2, 2010 and April 3, 2009, respectively. As of April 2, 2010 accounts receivable due from the U.S. government represented over 98% of total accounts receivable.

Note 17 — Consolidating Financial Information of Subsidiary Guarantors

As discussed in Note 20, on July 7, 2010, DynCorp International, Inc. ("Parent") completed a merger with Delta Tucker Sub, Inc., a wholly owned subsidiary of Delta Tucker Holdings, Inc. In connection with the Merger, substantially all of the outstanding pre-merger debt was extinguished and a new Senior Credit Facility and new Senior Unsecured Notes were issued.

As of the date of the Merger, these Senior Unsecured Notes and the Credit Facility are fully and unconditionally guaranteed, jointly and severally, by the Parent and all of its domestic subsidiaries: DynCorp International LLC, DTS Aviation Services LLC, DynCorp Aerospace Operations LLC, DynCorp International Services LLC, Dyn Marine Services LLC, Dyn Marine Services of Virginia LLC, Services International LLC, Worldwide Humanitarian Services LLC, Worldwide Recruiting and Staffing Services LLC, Phoenix Consulting Group LLC and Casals and Associates Inc. ("Subsidiary Guarantors").

The following condensed consolidating financial statements present (i) an audited condensed consolidating balance sheet as of April 2, 2010; (ii) the audited condensed consolidating statements of operations and statements of cash flows for the fiscal quarter ended July 2, 2010 and the fiscal years ended April 2, 2010 and April 3, 2009; and (iii) elimination entries necessary to consolidate Parent and its subsidiaries.

The Parent company, the combined 100% owned subsidiary guarantors and the combined subsidiary non-guarantors account for their investments in subsidiaries using the equity method of accounting; therefore, the Parent column reflects the equity income of its subsidiary guarantors, and subsidiary non-guarantors. Additionally, the subsidiary guarantors' column reflects the equity income of its subsidiary non-guarantors.

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statements of Operations Information
For the Fiscal Quarter Ended July 2, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 795,965	$ 253,082	$(104,334)	$ 944,713
Cost of services	—	(722,112)	(237,182)	102,320	(856,974)
Selling, general and administrative expenses	—	(35,521)	(5,006)	2,014	(38,513)
Depreciation and amortization expense	—	(10,249)	(14)	—	(10,263)
Operating income	—	28,083	10,880	—	38,963
Interest expense	—	(12,585)	(459)	459	(12,585)
Equity in income of consolidated subsidiaries	12,804	5,264	—	(18,068)	—
Interest income	—	510	—	(459)	51
Other income, net	—	611	47	—	658
Income before income taxes	12,804	21,883	10,468	(18,068)	27,087
Provision for income taxes	—	(9,079)	(200)	—	(9,279)
Net income	12,804	12,804	10,268	(18,068)	17,808
Noncontrolling interests	—	—	(5,004)	—	(5,004)
Net income attributable to DynCorp International, Inc.	$12,804	$ 12,804	$ 5,264	$ (18,068)	$ 12,804

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statements of Operations Information
Fiscal Year Ended April 2, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 2,861,124	$ 1,188,227	$(476,892)	$ 3,572,459
Cost of services	—	(2,581,544)	(1,108,790)	465,084	(3,225,250)
Selling, general and administrative expenses	—	(94,710)	(23,499)	11,808	(106,401)
Depreciation and amortization expense	—	(41,575)	(64)	—	(41,639)
Operating income	—	143,295	55,874	—	199,169
Interest expense	—	(55,650)	(2,289)	2,289	(55,650)
Loss on early extinguishment of debt	—	(146)	—	—	(146)
Equity in income of consolidated subsidiaries	77,443	27,562	—	(105,005)	—
Interest income	—	2,827	4	(2,289)	542
Other income, net	—	5,298	(104)	—	5,194
Income before income taxes	77,443	123,186	53,485	(105,005)	149,109
Provision for income taxes	—	(45,743)	(1,292)	—	(47,035)
Net income	77,443	77,443	52,193	(105,005)	102,074
Noncontrolling interests	—	—	(24,631)	—	(24,631)
Net income attributable to DynCorp International, Inc.	$77,443	$ 77,443	$ 27,562	$(105,005)	$ 77,443

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statement of Operations Information
Fiscal Year Ended April 3, 2009

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenue	$ —	$ 2,386,114	$ 1,115,583	$(408,723)	$ 3,092,974
Cost of services	—	(2,131,898)	(1,035,888)	400,817	(2,766,969)
Selling, general and administrative expenses	—	(81,735)	(29,448)	7,906	(103,277)
Depreciation and amortization expense	—	(40,475)	(82)	—	(40,557)
Operating income	—	132,006	50,165	—	182,171
Interest expense	—	(58,782)	(3,057)	3,057	(58,782)
Loss on early extinguishment of debt	—	(4,131)	—	—	(4,131)
Equity in income of consolidated subsidiaries	65,818	24,899	—	(90,717)	—
Interest income	—	5,235	17	(3,057)	2,195
Other income, net	—	4,983	14	—	4,997
Income before income taxes	65,818	104,210	47,139	(90,717)	126,450
Provision for income taxes	—	(38,392)	(1,364)	—	(39,756)
Net income	65,818	65,818	45,775	(90,717)	86,694
Noncontrolling interests	—	—	(20,876)	—	(20,876)
Net income attributable to DynCorp International, Inc.	$65,818	$ 65,818	$ 24,899	$ (90,717)	$ 65,818

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Balance Sheet Information
April 2, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$ —	$ 114,512	$ 7,921	$ —	$ 122,433
Restricted cash	—	15,265	—	—	15,265
Accounts receivable, net	—	703,519	126,579	19,391	849,489
Intercompany receivables	—	—	92,829	(92,829)	—
GLS note receivable	—	13,214	—	(13,214)	—
Prepaid expenses and other current assets	—	96,946	4,187	838	101,971
Total current assets	—	943,456	231,516	(85,814)	1,089,158
Property and equipment, net	—	54,899	334	—	55,233
Goodwill	—	457,090	—	—	457,090
Tradenames, net	—	18,976	—	—	18,976
Other intangibles, net	—	122,040	—	—	122,040
Investment in subsidiaries	577,702	61,767	—	(639,469)	—
Other assets, net	—	38,303	94	—	38,397
Total assets	$577,702	$1,696,531	$231,944	$(725,283)	$1,780,894
Current liabilities:					
Current portion of long-term debt	$ —	$ 44,137	$ —	$ —	$ 44,137
Accounts payable	—	266,979	82,501	(2,412)	347,068
Accrued payroll and employee costs	—	84,749	53,646	(13)	138,382
Intercompany payables	—	92,829	—	(92,829)	—
GLS note payable	—	—	13,214	(13,214)	—
Other accrued liabilities	—	78,167	19,841	22,654	120,662
Income taxes payable and deferred taxes	—	29,705	972	—	30,677
Total current liabilities	—	596,566	170,174	(85,814)	680,926
Long-term debt, less current portion	—	508,010	—	—	508,010
Other long-term liabilities	—	8,431	3	—	8,434
Noncontrolling interests	—	5,822	—	—	5,822
Equity	577,702	577,702	61,767	(639,469)	577,702
Total liabilities and equity	$577,702	$1,696,531	$231,944	$(725,283)	$1,780,894

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
Period from April 3, 2010 through July 2, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$—	$ 22,435	$ 5,375	$(6,087)	$ 21,723
Cash flows from investing activities:					
Purchase of property and equipment	—	(2,874)	—	—	(2,874)
Net transfers to/(from) Parent	—	—	2,456	(2,456)	—
Other investing cash flows	—	—	—	—	—
Net cash (used in) provided by investing activities	—	(2,874)	2,456	(2,456)	(2,874)
Cash flows from financing activities:					
Net transfers (to)/from Parent	—	(2,456)	—	2,456	—
Borrowings on long-term debt	—	85,600	—	—	85,600
Payments on long-term debt	—	(85,600)	—	—	(85,600)
Receipts/payments of dividends to Parents	—	—	(11,503)	6,087	(5,416)
Other financing activities	—	(17)	—	—	(17)
Net cash provided by (used in) financing activities	—	(2,473)	(11,503)	8,543	(5,433)
Net increase (decrease) in cash and cash equivalents	—	17,088	(3,672)	—	13,416
Cash and cash equivalents, beginning of period	—	113,855	8,578	—	122,433
Cash and cash equivalents, end of period	$—	$130,943	$ 4,906	$ —	$135,849

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the Fiscal Year Ended April 2, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$—	$ 18,673	$ 96,304	$(24,504)	$ 90,473
Cash flows from investing activities:					
Purchase of property and equipment	—	(45,986)	—	—	(45,986)
Cash paid for acquisitions, net of cash acquired	—	(42,889)	—	—	(42,889)
Net transfers (to)/from Parent	—	—	(42,427)	42,427	—
Other investing cash flows	—	—	—	—	—
Net cash (used in) provided by investing activities	—	(88,875)	(42,427)	42,427	(88,875)
Cash flows from financing activities:					
Net transfers (to)/from Parent	—	42,427	6,128	(48,555)	—
Borrowings on long-term debt	—	193,500	—	—	193,500
Payments on long-term debt	—	(242,126)	—	—	(242,126)
Receipts/payments of dividends	—	—	(58,718)	30,632	(28,086)
Other financing activities	—	(2,675)	—	—	(2,675)
Net cash (used in) provided by financing activities	—	(8,874)	(52,590)	(17,923)	(79,387)
Net (decrease) increase in cash and cash equivalents	—	(79,076)	1,287	—	(77,789)
Cash and cash equivalents, beginning of period	—	193,588	6,634	—	200,222
Cash and cash equivalents, end of period	$—	$ 114,512	$ 7,921	$ —	$ 122,433

DynCorp International, Inc and Subsidiaries
Condensed Consolidating Statement of Cash Flow Information
For the Fiscal Year Ended April 3, 2009

(Amounts in thousands)	Parent	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$—	$ 147,430	$ (1,452)	$ (5,107)	$ 140,871
Cash flows from investing activities:					
Purchase of property and equipment	—	(6,915)	—	—	(6,915)
Net transfers (to)/from Parent			17,075	(17,075)	
Other investing cash flows	—	(2,233)	—	—	(2,233)
Net cash (used in) provided by investing activities	—	(9,148)	17,075	(17,075)	(9,148)
Cash flows from financing activities:					
Net transfers (to)/from Parent	—	(17,075)	1,938	15,137	—
Borrowings on long-term debt	—	323,751	—	—	323,751
Payments on long-term debt	—	(315,538)	—	—	(315,538)
Receipts/payments to of dividends to Parent	—	—	(13,040)	7,045	(5,995)
Other financing activities		(19,098)	—	—	(19,098)
Net cash (used in) financing activities	—	(27,960)	(11,102)	22,182	(16,880)
Net increase in cash and cash equivalents	—	110,322	4,521	—	114,843
Cash and cash equivalents, beginning of period	—	83,266	2,113	—	85,379
Cash and cash equivalents, end of period	$—	$ 193,588	$ 6,634	$ —	$ 200,222

Note 18 — Quarterly Financial Data (Unaudited)

In our opinion, the following unaudited quarterly financial information includes all adjustments, consisting of normal recurring adjustments, necessary to fairly present our consolidated results of operations for such periods.

	Fiscal Year 2010			
	Fourth Fiscal Quarter Ended April 2, 2010	Third Fiscal Quarter Ended January 1, 2010	Second Fiscal Quarter Ended October 2, 2009	First Fiscal Quarter Ended July 3, 2009
	(Amounts in thousands)			
Revenue	$1,053,791	$914,264	$819,642	$784,762
Operating income	$ 49,937	$ 47,904	$ 49,242	$ 52,086
Net income attributable to DynCorp International Inc.	$ 19,468	$ 19,019	$ 18,408	$ 20,548

	Fiscal Year 2009			
	Fourth Fiscal Quarter Ended April 3, 2009	Third Fiscal Quarter Ended January 2, 2009	Second Fiscal Quarter Ended October 3, 2008	First Fiscal Quarter Ended July 4, 2008
	(Amounts in thousands)			
Revenue	$ 807,642	$791,427	$778,131	$715,774
Operating income	$ 45,063	$ 52,305	$ 46,175	$ 38,628
Net income attributable to DynCorp International Inc.	$ 15,917	$ 20,214	$ 12,579	$ 17,108

Restatement of Interim Financial Statements

As discussed in Note 19, we have restated our previously issued consolidated financial statements to correct errors identified in the current fiscal year related to those periods. Accordingly, the unaudited quarterly financial information presented above has been revised.

The following tables present the impact of the restatement on previously presented interim periods:

(Amounts in thousands)	First Quarter Ended					
	July 3, 2009			July 4, 2008		
	As Issued	Adjustments	As Restated	As Issued	Adjustments	As Restated
Revenue	$ 785,177	$(415)	$ 784,762	$ 716,794	$(1,020)	$ 715,774
Cost of services	(699,093)	—	(699,093)	(638,389)	(45)	(638,434)
Selling, general and administrative expenses	(23,438)	—	(23,438)	(27,851)	(301)	(28,152)
Depreciation and amortization expense	(10,145)	—	(10,145)	(10,560)	—	(10,560)
Operating income	52,501	(415)	52,086	39,994	(1,366)	38,628
Interest expense	(14,610)	—	(14,610)	(14,215)	—	(14,215)
Earnings from affiliates	1,054	—	1,054	1,117	—	1,117
Interest income	339	—	339	344	—	344
Other income, net	(213)	263	50	705	—	705
Income before income taxes	39,071	(152)	38,919	27,945	(1,366)	26,579
Provision for income taxes	(12,627)	55	(12,572)	(9,316)	494	(8,822)
Net income	26,444	(97)	26,347	18,629	(872)	17,757
Noncontrolling interests	(5,799)	—	(5,799)	(649)	—	(649)
Net income attributable to DynCorp International Inc.	$ 20,645	(97)	$ 20,548	$ 17,980	$ (872)	$ 17,108

(Amounts in thousands)	Second Quarter Ended					
	October 2, 2009			October 3, 2008		
	As Issued	Adjustments	As Restated	As Issued	Adjustments	As Restated
Revenue	$ 821,372	$(1,730)	$ 819,642	$ 779,151	$(1,020)	$ 778,131
Cost of services	(727,279)	(1,579)	(728,858)	(696,519)	(45)	(696,564)
Selling, general and administrative expenses	(31,304)	—	(31,304)	(25,994)	607	(25,387)
Depreciation and amortization expense	(10,238)	—	(10,238)	(10,005)	—	(10,005)
Operating income	52,551	(3,309)	49,242	46,633	(458)	46,175
Interest expense	(13,691)	—	(13,691)	(14,905)	—	(14,905)
Loss on early extinguishment of debt, net	(162)	—	(162)	(4,443)	—	(4,443)
Earnings from affiliates	1,527	—	1,527	1,523	—	1,523
Interest income	103	—	103	677	—	677
Other income, net	(12)	(43)	(55)	960	—	960
Income before income taxes	40,316	(3,352)	36,964	30,445	(458)	29,987
Provision for income taxes	(13,301)	1,205	(12,096)	(9,131)	166	(8,965)
Net income	27,015	(2,147)	24,868	21,314	(292)	21,022
Noncontrolling interests	(6,460)	—	(6,460)	(8,443)	—	(8,443)
Net income attributable to DynCorp International Inc.	$ 20,555	(2,147)	$ 18,408	$ 12,871	$ (292)	$ 12,579

(Amounts in thousands)	Third Quarter Ended January 1, 2010 As Issued	Adjustments	As Restated	January 2, 2009 As Issued	Adjustments	As Restated
Revenue	$ 914,970	$ (706)	$ 914,264	$ 792,327	$ (900)	$ 791,427
Cost of services	(822,700)	(780)	(823,480)	(704,210)	1,622	(702,588)
Selling, general and administrative expenses	(32,350)	—	(32,350)	(26,505)	—	(26,505)
Depreciation and amortization expense	(10,530)	—	(10,530)	(10,029)	—	(10,029)
Operating income	49,390	(1,486)	47,904	51,583	722	52,305
Interest expense	(13,655)	—	(13,655)	(15,322)	—	(15,322)
Earnings from affiliates	1,278	—	1,278	1,319	—	1,319
Interest income	67	—	67	730	—	730
Other income, net	285	(715)	(430)	(856)	—	(856)
Income before income taxes	37,365	(2,201)	35,164	37,454	722	38,176
Provision for income taxes	(10,493)	792	(9,701)	(11,639)	(261)	(11,900)
Net income	26,872	(1,409)	25,463	25,815	461	26,276
Noncontrolling interests	(6,444)	—	(6,444)	(6,062)	—	(6,062)
Net income attributable to DynCorp International Inc.	$ 20,428	$(1,409)	$ 19,019	$ 19,753	$ 461	$ 20,214

(Amounts in thousands)	Fourth Quarter Ended April 2, 2010 As Issued	Adjustments	As Restated	April 3, 2009 As Issued	Adjustments	As Restated
Revenue	$1,063,743	$(9,952)	$1,053,791	$ 812,821	$(5,179)	$ 807,642
Cost of services	(976,521)	2,702	(973,819)	(729,844)	461	(729,383)
Selling, general and administrative expenses	(19,309)	—	(19,309)	(23,233)	—	(23,233)
Depreciation and amortization expense	(10,726)	—	(10,726)	(9,963)	—	(9,963)
Operating income	57,187	(7,250)	49,937	49,781	(4,718)	45,063
Interest expense	(13,694)	—	(13,694)	(14,340)	—	(14,340)
Loss on early extinguishment of debt, net	—	16	16	312	—	312
Interest income	33	—	33	444	—	444
Other income, net	2,334	(563)	1,771	600	(370)	230
Income before income taxes	45,860	(7,797)	38,063	36,797	(5,088)	31,709
Provision for income taxes	(15,471)	2,804	(12,667)	(11,909)	1,839	(10,070)
Net income	30,389	(4,993)	25,396	24,888	(3,249)	21,639
Noncontrolling interests	(5,928)	—	(5,928)	(5,722)	—	(5,722)
Net income attributable to DynCorp International Inc.	$ 24,461	$(4,993)	$ 19,468	$ 19,166	$(3,249)	$ 15,917

Note 19 — Restatement

We have restated our consolidated statements of operations and cash flows for the fiscal quarter ended July 2, 2010 and fiscal years ended April 2, 2010 and April 3, 2009 and our consolidated balance sheet as of April 2, 2010 to correct the following errors. The identified errors were primarily associated with (i) unbilled receivables and related revenue primarily where an allowance for collection was not provided timely; (ii) certain accrued liabilities that were previously omitted in such consolidated financial statements; and (iii) adjustments necessary to correct errors identified in results of operations in an equity method investee.

The following table presents the impact of the restated adjustments on our consolidated statement of operations for the quarter ended July 2, 2010:

DYNCORP INTERNATIONAL INC.

STATEMENT OF OPERATIONS

	As Issued		Restated
(Amounts in thousands)	Fiscal Quarter Ended July 2, 2010	Adjustments	Fiscal Quarter Ended July 2, 2010
Revenue	$ 947,503	$(2,790)	$ 944,713
Cost of services	(857,897)	923	(856,974)
Selling, general and administrative expenses	(38,513)	—	(38,513)
Depreciation and amortization expense	(10,263)	—	(10,263)
Operating income	40,830	(1,867)	38,963
Interest expense	(12,678)	93	(12,585)
Earnings from affiliates	709	(276)	433
Interest income	51	—	51
Other income, net	225	—	225
Income before income taxes	29,137	(2,050)	27,087
Provision for income taxes	(10,017)	738	(9,279)
Net income	19,120	(1,312)	17,808
Noncontrolling interests	(5,004)	—	(5,004)
Net income attributable to DynCorp International, Inc.	$ 14,116	$(1,312)	$ 12,804

The following table presents the impact of the restatement adjustments on our consolidated statements of operations for the fiscal years ended April 2, 2010 and April 3, 2009:

DYNCORP INTERNATIONAL INC.

STATEMENTS OF OPERATIONS

	Fiscal Year Ended					
	April 2, 2010			April 3, 2009		
(Amounts in thousands)	**As Reported**	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**
Revenue	$ 3,585,262	$(12,803)	$ 3,572,459	$ 3,101,093	$(8,119)	$ 3,092,974
Cost of services	(3,225,593)	343	(3,225,250)	(2,768,962)	1,993	(2,766,969)
Selling, general and administrative expenses	(106,401)	—	(106,401)	(103,583)	306	(103,277)
Depreciation and amortization expense	(41,639)	—	(41,639)	(40,557)	—	(40,557)
Operating income	211,629	(12,460)	199,169	187,991	(5,820)	182,171
Interest expense	(55,650)	—	(55,650)	(58,782)	—	(58,782)
Loss on early extinguishment of debt, net	(146)	—	(146)	(4,131)	—	(4,131)
Earnings from affiliates	5,202	(1,043)	4,159	5,223	(371)	4,852
Interest income	542	—	542	2,195	—	2,195
Other income, net	1,035	—	1,035	145	—	145
Income before income taxes	162,612	(13,503)	149,109	132,641	(6,191)	126,450
Provision for income taxes	(51,893)	4,858	(47,035)	(41,995)	2,239	(39,756)
Net income	110,719	(8,645)	102,074	90,646	(3,952)	86,694
Noncontrolling interests	(24,631)	—	(24,631)	(20,876)	—	(20,876)
Net income attributable to DynCorp International Inc.	$ 86,088	$ (8,645)	$ 77,443	$ 69,770	$(3,952)	$ 65,818

The following table presents the impact of the restatement adjustments on our consolidated balance sheet as of April 2, 2010:

DYNCORP INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEET

(Amounts in Thousands, except share data)	April 2, 2010		
	As Reported	**Adjustments**	**As Restated**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 122,433	$ —	$ 122,433
Restricted cash	15,265	—	15,265
Accounts receivable, net of allowances of $68	865,156	(15,667)	849,489
Prepaid expenses and other current assets	96,159	5,812	101,971
Total current assets	1,099,013	(9,855)	1,089,158
Property and equipment, net	55,233	—	55,233
Goodwill	451,868	5,222	457,090
Tradename	18,976	—	18,976
Other intangibles, net	122,040	—	122,040
Deferred income taxes	5,071	1,450	6,521
Other assets, net	30,416	1,460	31,876
Total assets	$1,782,617	$ (1,723)	$1,780,894
LIABILITIES AND EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 44,137	$ —	$ 44,137
Accounts payable	347,068	—	347,068
Accrued payroll and employee costs	141,132	(2,750)	138,382
Deferred income taxes	18,002	1,267	19,269
Other accrued liabilities	111,198	9,464	120,662
Income taxes payable	11,358	50	11,408
Total current liabilities	672,895	8,031	680,926
Long-term debt, less current portion	508,010	—	508,010
Other long-term liabilities	8,434	—	8,434
Total liabilities	1,189,339	8,031	1,197,370
Commitments and contingencies			
Equity:			
Common stock of entity, $0.01 par value — 232,000,000 shares authorized; 57,000,000 shares issued and 56,286,196 shares outstanding at April 2, 2010.	570	—	570
Additional paid-in capital	367,488	(1)	367,487
Retained earnings	229,461	(9,753)	219,708
Treasury stock, 713,804 shares as of April 2, 2010	(8,942)	—	(8,942)
Accumulated other comprehensive income/(loss)	(1,121)	—	(1,121)
Total equity attributable to DynCorp International Inc.	587,456	(9,754)	577,702
Noncontrolling interests	5,822	—	5,822
Total equity	593,278	(9,754)	583,524
Total liabilities and equity	$1,782,617	$ (1,723)	$1,780,894

The following table presents the impact of the restatement adjustments on our consolidated statement of cash flows for the quarter ended July 2, 2010.

DYNCORP INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

(Amounts in thousands)	As Issued Fiscal Quarter Ended July 2, 2010	Adjustments	Restated Fiscal Quarter Ended July 2, 2010
Cash flows from operating activities			
Net income	$ 19,120	$(1,312)	$ 17,808
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,524	—	10,524
Amortization of deferred loan costs	963	—	963
Allowance for losses on accounts receivable	33	—	33
Earnings from equity method investees	(709)	—	(709)
Deferred income taxes	8,077	568	8,645
Equity-based compensation	3,518	—	3,518
Other	557	—	557
Changes in assets and liabilities:			
Restricted cash	7,082	—	7,082
Accounts receivable	6,111	2,372	8,483
Prepaid expenses and other current assets	(15,201)	292	(14,909)
Accounts payable and accrued liabilities	(11,001)	(819)	(11,820)
Income taxes payable	(7,351)	(1,101)	(8,452)
Net cash provided by operating activities	21,723	—	21,723
Cash flows from investing activities			
Cash paid for acquisitions, net of cash acquired			—
Purchase of property and equipment, net	(1,809)	—	(1,809)
Purchase of computer software	(1,065)	—	(1,065)
Net cash used in investing activities	(2,874)	—	(2,874)
Cash flows from financing activities			
Borrowings on long-term debt	85,600	—	85,600
Payments on long-term debt	(85,600)	—	(85,600)
Payments of dividends to noncontrolling interests	(5,416)	—	(5,416)
Other financing activities	(17)	—	(17)
Net cash provided by (used in) financing activities	(5,433)	—	(5,433)
Net (decrease) increase in cash and cash equivalents	13,416	—	13,416
Cash and cash equivalents, beginning of year	122,433	—	122,433
Cash and cash equivalents, end of year	$135,849	$ —	$135,849

The following table presents the impact of the restatement adjustments on our consolidated statements of cash flows for the fiscal years ended April 2, 2010 and April 3, 2009, respectively.

DYNCORP INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Fiscal Year Ended April 2, 2010 as Previously Reported	Adjustments	Fiscal Year Ended April 2, 2010 Restated	Fiscal Year Ended April 3, 2009 As Previously Reported	Adjustments	Fiscal Year Ended April 3, 2009 Restated
Cash flows from operating activities						
Adjustments to reconcile net income to net cash provided by operating activities:						
Net income	$ 110,719	$ (8,645)	$ 102,074	$ 90,646	$(3,952)	$ 86,694
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	42,578	—	42,578	41,634	—	41,634
Loss on early extinguishment of debt, net	146	—	146	4,131	—	4,131
Amortization of deferred loan costs	3,894	—	3,894	3,694	—	3,694
Allowance for losses on accounts receivable	24	—	24	(185)	—	(185)
Earnings from equity method investees	(5,202)	—	(5,202)	(5,223)	—	(5,223)
Distributions from affiliates	2,988	—	2,988	2,439	—	2,439
Deferred income taxes	15,981	1,516	17,497	34,273	—	34,273
Equity-based compensation	2,863	—	2,863	1,883	—	1,883
Other	4,062	—	4,062	(475)	—	(475)
Changes in assets and liabilities:						
Restricted cash	(9,330)	—	(9,330)	5,373	—	5,373
Accounts receivable	(289,291)	11,305	(277,986)	(50,896)	8,119	(42,777)
Prepaid expenses and other current assets	24,161	(2,972)	21,189	(18,934)	(1,868)	(20,802)
Accounts payable and accrued liabilities	182,238	1,579	183,817	36,441	(2,299)	34,142
Income taxes payable	4,642	(2,783)	1,859	(3,930)	—	(3,930)
Net cash provided by operating activities	90,473	—	90,473	140,871	—	140,871
Cash flows from investing activities						
Cash paid for acquisitions, net of cash acquired	(42,889)	—	(42,889)	—	—	—
Purchase of property and equipment	(39,335)	—	(39,335)	(4,684)	—	(4,684)
Purchase of computer software	(6,711)	—	(6,711)	(2,596)	—	(2,596)
Contributions to equity method investees	—	—	—	(2,233)	—	(2,233)
Other investing activities	60	—	60	365	—	365
Net cash used in investing activities	(88,875)		(88,875)	(9,148)		(9,148)
Cash flows from financing activities						
Borrowings on long-term debt	193,500	—	193,500	323,751	—	323,751
Payments on long-term debt	(242,126)	—	(242,126)	(315,538)	—	(315,538)
Payments of deferred financing cost	13	—	13	(10,790)	—	(10,790)
Purchases of treasury stock	(712)	—	(712)	(8,618)	—	(8,618)
Borrowings under other financing arrangements	—	—	—	26,254	—	26,254
Payments under other financing arrangements	(2,011)	—	(2,011)	(26,628)	—	(26,628)
Proceeds from note receivable from DIFZ	—	—	—	500	—	500
Payments of dividends to noncontrolling interests	(28,086)	—	(28,086)	(5,995)	—	(5,995)
Other financing activities	35	—	35	184	—	184
Net cash used in financing activities	(79,387)	—	(79,387)	(16,880)	—	(16,880)
Net (decrease) increase in cash and cash equivalents	(77,789)	—	(77,789)	114,843	—	114,843
Cash and cash equivalents, beginning of year	200,222	—	200,222	85,379	—	85,379
Cash and cash equivalents, end of year	$ 122,433	$ —	$ 122,433	$ 200,222	$ —	$ 200,222

Note 20 — Subsequent Events

We have evaluated subsequent events that occurred after the period end date through March 31, 2011, the date the financial statements were available to be issued.

Completion of Planned Merger

On July 7, 2010, DynCorp International completed a merger with Delta Tucker Sub, Inc., a wholly owned subsidiary of Delta Tucker Holdings, Inc. Pursuant to the Agreement and Plan of Merger dated as of April 11, 2010, Delta Tucker Sub, Inc. merged with and into DynCorp International, with DynCorp International becoming the surviving corporation and a wholly-owned subsidiary of the Delta Tucker Holdings, Inc. (the "Merger"). Holders of DynCorp International's stock received $17.55 in cash for each outstanding share. As of that date, DynCorp International's stock was no longer publicly traded. In connection with the Merger, substantially all of the outstanding pre-Merger debt was extinguished. Additionally, we issued a new Senior Credit Facility and new Senior Unsecured Notes.

GLS Deconsolidation

As a result of the Merger, we deconsolidated GLS effective July 7, 2010. We continued to consolidate GLS after the implementation of ASU 2009-17 through the date of the Merger based on the related party relationship between us and McNeil Technologies Inc. ("McNeil"), our GLS joint venture partner. Through the date of the Merger, our largest stockholder, Veritas, owned the majority of McNeil. This related party relationship ended on the date of Merger resulting in the deconsolidation of GLS on that date.

Schedule I — Condensed Financial Information of Registrant

Delta Tucker Holdings, Inc.

Condensed Balance Sheet

	December 31, 2010
Assets	
Deferred tax asset	$ 14,599
Investment in subsidiaries	558,060
Total Assets	$572,660
Liabilities	$ 59,684
Stockholder Equity	512,975
Total liabilities and equity	$572,659

See notes to this schedule

Delta Tucker Holdings, Inc.

Condensed Statement of Operations

	April 1, 2010 (Inception) through December 31, 2010
Merger expenses	$(51,722)
Bridge commitment fee	(7,963)
Equity in income of subsidiaries, net of tax	7,427
Income before income taxes	(52,258)
Income tax benefit	14,599
Net income	$(37,659)

See notes to this schedule

Delta Tucker Holdings' Inc.

Condensed Statement of Cash Flows

	April 1, 2010 (Inception) through December 31, 2010
Net cash from operating activities	$(59,684)
Net cash from investing activities	—
Net cash from financing activities	59,684
Net change in cash and cash equivalents	—
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	$ —

See notes to this schedule

Schedule I — Condensed Financial Information of Parent

Delta Tucker Holdings, Inc.

Notes to Schedule

Note 1. Basis of Presentation

Pursuant to rules and regulations of the SEC, the condensed financial statements of Delta Tucker Holdings Inc. do not reflect all of the information and notes normally included with financial statements prepared in accordance with GAAP. Therefore, these financial statements should be read in conjunction with our consolidated financial statements and related notes.

Accounting for subsidiaries — We have accounted for the income of our subsidiaries under the equity method in the condensed financial statements.

Note 2. Dividends Received from Consolidated Subsidiary

We have received no dividends from our consolidated subsidiary DynCorp International Inc. which has covenants related to our long-term debt, including restrictions on dividend payments at December 31, 2010. As of this date, our retained earnings and net assets were not free from such restrictions.

Note 3. Equity

Our equity was initially comprised of a capital contribution of $550.9 million. Between our inception and December 31, 2010, our equity has been impacted by our earnings, changes in other comprehensive income and additional paid in capital.

* * * * *

Schedule II — Valuation and Qualifying Accounts

DynCorp International Inc.

Fiscal Quarter Ended July 2, 2010 and the Fiscal Years Ended April 2, 2010 and April 3, 2009

	Beginning of Period	Charged/(Credited) to Costs and Expense	Deductions from Reserve (1)	End of Period
		(Amounts in thousands)		
Allowance for doubtful accounts:				
March 29, 2008 — April 3, 2009	$268	(185)	(15)	$68
April 4, 2009 — April 2, 2010	$ 68	21	(21)	$68
April 3, 2010 — July 2, 2010	$ 68	33	(38)	$63

(1) Deductions from reserve represent accounts written off, net of recoveries.

Delta Tucker Holdings, Inc.

April 1, 2010 (Inception) through December 31, 2010

	Beginning of Period	Charged/(Credited) to Costs and Expense	Deductions from Reserve (1)	End of Period
		(Amounts in thousands)		
Allowance for doubtful accounts:				
April 1, 2010 — December 31, 2010	$—	610	(52)	$558

(1) Deductions from reserve represent accounts written off, net of recoveries.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None

ITEM 9A. *CONTROLS AND PROCEDURES*

Not applicable

ITEM 9B. *OTHER INFORMATION*

None

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The following are the names, ages and a brief account of the business experience for at least the last five years of our directors and executive officers as of March 8, 2011. Unless the context otherwise indicates, references herein to “we,” “our,” “us,” or “the Company” refer to Delta Tucker Holdings, Inc. and our consolidated subsidiaries.

Name	Age	Position
Steven F. Gaffney	52	Chairman of the Board and Chief Executive Officer
William L. Ballhaus	43	Vice Chairman of the Board
General Michael Hagee (USMC Ret.)	66	Director
Brett Ingersoll	47	Director
General John Tilelli (USA Ret.)	69	Director
Steven Schorer	53	President
Gregory S. Nixon	47	Senior Vice President, General Counsel and Corporate Secretary
William T. Kansky	49	Senior Vice President and Chief Financial Officer
Robert Lehman Jr.	53	Senior Vice President of Human Resources

Each of our directors brings extensive management and leadership experience gained through their service in our industry and other diverse businesses. In these roles, they have taken hands-on, day-to-day responsibility for strategy and operations. In the paragraphs below, we describe specific individual qualifications and skills of our directors that contribute to the overall effectiveness of our Board of Directors (the “Board”) and its committees.

Steven F. Gaffney has been the Chairman of the Board of Directors since July 2010, and our Chief Executive Officer (“CEO”) since August 2010. From December 2008 to August 2010, he served as Chief Executive Officer at IAP Worldwide Services, Inc., a provider of services to the Department of Defense and other government agencies. From May 1998 to December 2008 he was with ITT. During his career with ITT, he was President of two of their divisions; Electronic Systems and System Services. For the later part of his career he was Senior Vice President of the Corporation and President of the entire Defense Electronics and Services group. Prior to ITT, Mr. Gaffney led business segments at Litton Industries, Allied Signal and Smith Industries. He currently serves as the Chairman of the Board of IAP Worldwide Services, Inc. He holds a Bachelor’s degree in electrical engineering from Lafayette College, and is certified as a Lean Six Sigma Champion and Green Belt. Mr. Gaffney was selected to serve as the Chairman because he is our Chief Executive Officer and has more than 25 years of leadership experience in the defense industry.

William L. Ballhaus has been the Vice Chairman of the Board since August 2010. He is a Senior Advisor at Cerberus. Prior to joining Cerberus, he was our President and CEO, and he has been a director since May 2008. From March 2007 to May 2008, he was President of the Network Systems business for the Electronics & Integrated Solutions Operating Group of BAE Systems Inc. From 2003 to 2007, he was President of BAE Systems Inc.’s National Security Solutions and Mission Solutions businesses. He holds a Bachelor’s degree in mechanical engineering from the University of California at Davis and Master’s and Doctorate degrees in aeronautics and astronautics from Stanford University, as well as a Master’s degree in business administration from the Anderson Graduate School of Management at UCLA. He currently serves on the United States Geospatial Intelligence Foundation Board of Directors and the UCLA Anderson School Board of Visitors. He is a Fellow of the American Institute of Aeronautics and Astronautics and a Fellow of the British American Project. Mr. Ballhaus was selected to serve as the Vice Chairman because he has detailed knowledge and valuable perspective and insights regarding our business, and was our former President and CEO.

General Michael Hagee (USMC Ret.) has been a director since July 2010. He is President and CEO of the Admiral Nimitz Foundation and is an independent consultant to corporate executives and business leaders. He served more than 38 years in the U.S. Marine Corps, finishing his active duty career as the 33rd Commandant of the Marine Corps and a member of the Joint Chiefs of Staff. General Hagee holds Masters' degrees in electrical engineering and national security studies from the U.S. Naval Academy. He served on the U.S. Department of Defense Science Board and the National Security Advisory Council for the Center for U.S. Global Engagement and U.S. Global Leadership Campaign. General Hagee was selected to serve as one of our directors due to his extensive knowledge about our two largest clients — the Department of Defense and the Department of State, extensive board and oversight experience, which allows him to bring additional perspective to our Board of Directors.

Brett Ingersoll has been a director since July 2010. Mr. Ingersoll has served as Senior Managing Director and Co-Head of Private Equity at Cerberus since May 2005. He is also a member of the boards of directors of ACE Aviation Holdings, AerCap Holdings N.V., and Talecris Biotherapeutics Holdings Corp. Mr. Ingersoll holds a Bachelor's degree in economics from Brigham Young University and a Master's degree in business administration from Harvard Business School. Mr. Ingersoll was selected to serve as one of our directors because he has extensive experience in financing, private equity investment and board service.

General John Tilelli (USA Ret.) has been a director since July 2010. General Tilelli is currently Chairman and CEO of Cypress International, Inc. He served two combat tours in Vietnam, commanded the 1st Cavalry Division during Operations Desert Shield and Desert Storm, and served four times in Germany. General Tilelli served as the Vice Chief of Staff of the Army, and concluded his active duty career as Commander in Chief of the United Nations Command, Republic of Korea, U.S. Combined Forces, and U.S. Forces Korea. He was appointed as President and CEO of the USO Worldwide Operations in March 2000. General Tilelli holds a Bachelor's degree in economics from Pennsylvania Military College, now Widener University, and was commissioned as an Armor Officer. He earned a Master's degree in administration from Lehigh University and graduated from the Army War College. General Tilelli was awarded honorary doctoral degrees by Widener University and the University of Maryland. General Tilelli was selected to serve as one of our directors due to his extensive knowledge about our two largest clients — the Department of Defense and the Department of State, extensive board and oversight experience, which allows him to bring additional perspective to our Board of Directors.

Steven Schorer has been our President since November 2010, having joined the company in April 2009 as President of our operating company's Global Platform Support Solutions segment. Mr. Schorer has more than 28 years of experience in the aerospace and defense industry, and a diverse background in general management, international business development, program management, and engineering. From 2003 to 2008, he was President of the C4I segment at DRS Technologies, a $1.5 billion operation with 22 sites and over 5,000 employees. Before that, he served as president and general manager of the Ocean Systems Division of L-3 Communications. He has also worked for Allied Signal Aerospace, Lockheed Missiles and Space, Raytheon, and Hughes Aircraft. Mr. Schorer has a Bachelor of Science degree in electrical engineering from the University of Massachusetts. He completed executive management programs at the Anderson School of Executive Management, University of California, Los Angeles, and at the American Graduate School of International Management in Phoenix.

Gregory S. Nixon has been our Senior Vice President, General Counsel and Corporate Secretary since September 2009. Mr. Nixon leads, manages, and directs the legal affairs of the Company. Mr. Nixon worked for McKinsey & Company Inc., from August 2007 to September 2009 where he was an Associate General Counsel and Assistant Secretary, and Vice President and General Counsel of the Public Sector Services division. From September 2002 to August 2007, he was a Principal, Associate General Counsel and Assistant Secretary at Booz Allen Hamilton Incorporated. He also practiced law at the international law firm of Howrey & Simon LLP in their Commercial Litigation Group. After serving as a commissioned officer in the U.S. Air Force, Mr. Nixon held senior government positions in the U.S. Government Accountability Office and served as special counsel in

the U.S. Navy Office of the General Counsel. He holds the rank of Lieutenant Colonel in the U.S. Air Force Judge Advocate General's Corps Reserve. Mr. Nixon has a Bachelor's of Science in mechanical engineering from Tuskegee University and a Juris Doctor degree from Georgetown University Law Center.

William T. Kansky has been our Senior Vice President and Chief Financial Officer ("CFO") since August 2010. Previously he was Vice President and Chief Financial Officer at ITT Defense and Information Solutions, which he joined in April 2006. He has worked in the finance organizations of Westinghouse Broadcasting Company and Group W Information Services. He holds a Bachelor's degree in finance from Central Connecticut State University.

Robert Lehman Jr. has been our Senior Vice President of Human Resources since November 2010. Previously he was Vice President and Director of Human Resources at ITT Systems Corporation, which he joined in 1980. Mr. Lehman holds a Bachelor's degree in communications from Seton Hall University and a Master's degree in human resource from Upsala College.

CORPORATE GOVERNANCE

Code of Ethics and Business Conduct

Every action or decision at the Company is based upon three guiding principles: Performance, Compliance and Conduct. Our Code of Ethics and Business Conduct ("Code") establishes requirements and direction to translate these principles into action, everyday, and for everything we do. Employees, directors, officers, contractors, and agents are expected to operate in a manner consistent with these principles and this Code. It is our commitment to conduct business honestly, ethically, and in accordance with best practices and the applicable laws of the U.S. and other countries in which we operate.

The Company has a comprehensive and longstanding ethics and compliance program in support of our Code. It includes mandatory training on a wide range of topics, consistent communication and reminders, and a robust system to report concerns or potential violations. We are guided at all times by the highest standards of integrity, whether dealing with customers, co-workers, or others. By operating each day with this commitment in mind we can provide a solid return to our shareholders, develop meaningful work for our employees, and create something of value for our communities. The Code of Ethics and Business Conduct addresses, among other matters, the obligation of accounting and financial personnel to maintain accurate records of the Company's operations, comply with laws and report violations. Our Code of Ethics and Business Conduct is posted on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance".

Corporate Governance Guidelines and Information

The Company is committed to maintaining and practicing the highest standards of ethics and corporate governance. The Board has adopted Corporate Governance Guidelines that provide a flexible framework within which the Board and its committees oversee the governance of the Company. These guidelines are available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance". The Board of Directors assesses the Corporate Governance Guidelines annually. The Corporate Governance Guidelines addresses, among other matters, the duties of the Board and its Committees, Board composition and criteria, procedures for annual evaluation of the Board and the Chief Executive Officer, executive succession planning and communications with other constituents.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established three standing committees: (1) Audit, (2) Compliance and Risk and (3) Compensation. In addition, special committees may be established under the direction of the Board when necessary to address specific issues.

Name	Audit	Compliance and Risk	Compensation
Steven F. Gaffney			
William L. Ballhaus		X*	
General Michael Hagee (USMC Ret.)	X*	C*	X*
Brett Ingersoll	X*		C*
General John Tilelli (USA Ret.)	C*	X*	X*

C – Committee Chairman
* - Elected to Committee in July 20, 2010

STANDING COMMITTEES

Audit Committee

The Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, certain compliance issues and accounting matters. The Audit Committee is also responsible for the oversight of management's assessment of internal controls, our internal audit function and audits of the Company's financial statements on behalf of the Board. Among other duties, it is directly responsible for the selection and oversight of our independent auditors. The functions of the Audit Committee are further described below under the heading "Audit Committee Report" and in the Audit Committee's charter. The Audit Committee met once during the period from July 3, 2010 to December 31, 2010. The Audit Committee met on March 8, 2011 and March 28, 2011 in relation to the period from April 1, 2010 (inception) through December 31, 2010. The Audit Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance".

Even though our stock is not publicly traded as of the Merger, in accordance with our Corporate Governance Guidelines, Members of the Audit Committee who are determined by the Board to be independent, if any, within the meaning of our Corporate Governance Guidelines must satisfy the requirements of the New York Stock Exchange ("NYSE"). The Board determined that all members of the Audit Committee, except for Mr. Ingersoll, are independent.

The Board does not prohibit its members from serving on boards or committees of other organizations, and has not adopted any specific guidelines limiting such activities. However, the service on boards or committees should be consistent with the Company's conflict of interest policies and the terms of the charters of the various committees of the Board.

The Board has determined that Brett Ingersoll is an "audit committee financial expert" as defined by the United States Securities and Exchange Commission ("SEC") rules. Mr. Ingersoll currently serves on the audit committees of three public companies in addition to our Audit Committee, and the Board has determined that his simultaneous service does not impair his ability to serve effectively on the Company's Audit Committee.

Compliance and Risk Committee

The Compliance and Risk Committee is responsible for (i) overseeing and monitoring the Company's conformance with good business practices, public image and Government and industry standards, (ii) assisting the Board in its general oversight of the Company's compliance with the legal and regulatory requirements of the Company's business operations, (iii) overseeing the ethics and compliance program, including the compliance

with the Company's Code of Ethics and Business Conduct and (iv) monitoring and overseeing the Company's policies and practices with respect to enterprise risk assessment and management programs and processes. At least annually, the Compliance and Risk Committee meets jointly with the Audit committee to review all major compliance matters, financial and non-financial. The Compliance and Risk Committee met once during the period from July 3, 2010 to December 31, 2010. The Compliance and Risk Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance".

Compensation Committee

Our Compensation Committee is responsible for making recommendations to the Board concerning the compensation of the Chief Executive Officer ("CEO") and other executive officers, including the appropriateness of salary, incentive compensation, equity-based compensation plans and certain other benefit plans. Our Compensation Committee evaluates the performance of the CEO and executive officers in setting their compensation levels and considers the Company's performance, as well as other factors deemed appropriate by our Compensation Committee. Our Compensation Committee occasionally engages independent consulting firms to review and evaluate various elements of the CEO's and other executive officers' total compensation, as discussed below under "Compensation Discussion and Analysis". Our Compensation Committee met once during the period from July 3, 2010 to December 31, 2010. Our Compensation Committee's charter is available on our website, http://www.dyn-intl.com, under the heading "Investor Relations — Corporate Governance".

ITEM 11. EXECUTIVE COMPENSATION.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee consists of Brett Ingersoll, General John Tilelli (USA Ret.), and General Michael Hagee (USMC Ret.), none of whom was at any time during the Inception year or at any other time, an officer or employee of us or any of our subsidiaries.

Messrs. Ballhaus and Ingersoll are Cerberus employees. Pursuant to the terms of the COAC Agreement, we pay Cerberus consulting fees to provide us with reasonably requested business advisory services. Consulting fees incurred between July 7, 2010 and December 31, 2010 totaled $690,864. For additional information on the COAC Agreement, see Note 12 to the Delta Tucker Holdings, Inc. consolidated financial statements.

COMPENSATION DISCUSSION AND ANALYSIS ("CD&A")

Overview

This Compensation Discussion and Analysis describes the policies and objectives underlying our compensation program for our Named Executive Officers ("NEOs"). Accordingly, this section addresses and analyzes each element of our NEOs compensation program. Following this section is a series of tables containing specific information about the compensation awarded to, earned by or paid to our NEOs. For the period from April 1, 2010 (inception) through December 31, 2010, our NEOs were:

- Steven F. Gaffney, Chief Executive Officer from August 2010 to the present;
- William L. Ballhaus, President & Chief Executive Officer from May 2008 to August 2010;
- Steven T. Schorer, President from November 2010 to the present, former Global Platform Support Services President from April 2009 to November 2010;
- Robert B. Rosenkranz, Executive Vice President and Chief of Staff;
- William T. Kansky, Senior Vice President and Chief Financial Officer from August 2010 to the present;

- Michael J. Thorne, Senior Vice President, Chief Financial Officer and Treasurer from April 2001 to August 2010; and
- Gregory S. Nixon, Senior Vice President, General Counsel and Corporate Secretary.

There were seven NEOs for the period from April 1, 2010 through December 31, 2010. Our NEOs were made up of our (1) current CEO, (2) former CEO, (3) current CFO, (4) former CFO and (5) three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers at December 31, 2010.

Executive Summary

The Compensation Committee (the "Committee") believes that the success of the Company in achieving its strategic objectives will depend in large part on the ability to attract and retain exceptional executive talent and to align the interests of all executives with investor success. The Committee has established an approach to executive remuneration that it believes will help achieve this mission and reduce the risks surrounding executive performance.

To provide the necessary and appropriate support to achieve investor success, the Committee uses the following approaches:

- providing cash compensation opportunities to executive officers that, in the aggregate, reflect general industry practice;
- requiring that in order to earn targeted cash compensation levels, executive officers must meet financial objectives approved in advance by the Committee; and
- allowing individual pay levels to vary considerably with individual executive responsibilities, capabilities and performance.

The Compensation Committee intends to evaluate and implement a long-term equity incentive plan during calendar year 2011 which together with cash compensation opportunities will provide superior total remuneration when investor objectives are realized.

Executive Compensation Philosophy

Our Compensation Committee believes our compensation programs must assist us in attracting and retaining superior talent, and should motivate our NEOs to achieve our business objectives. Based on this philosophy, the compensation of our NEOs includes a combination of salary, annual incentive (i.e., cash bonuses) and other employment benefits. Prior to the Merger, our NEOs compensation also included long-term equity-based awards. Salary is intended to provide a competitive foundation for attracting and retaining executives. The annual cash bonus is intended to incent and reward management for achieving financial milestones, and the long-term incentive is intended to provide wealth-building opportunities based on a longer-term horizon, contingent upon investor realization of gains.

Historically, our compensation philosophy has been to provide compensation opportunities targeted between the median and the sixtieth percentile of the market for our peer group in order to enable us to attract and retain a quality executive team focused on maximizing value. Our Compensation Committee did not establish any specific percentile pay objectives. The Compensation Committee operates to ensure individual NEO compensation opportunities are commensurate with executive skills, leadership & performance, and role impact. In addition, our Compensation Committee ensures that the aggregate cost of executive talent is generally within the range of competitive practice.

As further described below in the "Long-Term Incentive Compensation Plan" section, our equity compensation prior to our Committee's involvement was based on plan-based awards. Although as previously disclosed we awarded Class B Interests to our NEOs in prior years, no NEO received Class B Interests during

calendar year 2010. Prior to the Merger, our plan-based awards took the form of restricted stock units which were either service based or performance based. Our Compensation Committee did not approve an incentive equity plan for management for the period from April 1, 2010 (inception) through December 31, 2010, but intends to establish and adapt a program during calendar 2011 that will provide NEOs with a significant interest in the long-term success of the Company.

We have entered into employment agreements with our NEOs and certain other executive officers which establish minimum salaries, annual incentive compensation targets and also provide for termination payments under certain circumstances. These employment agreements are discussed further below, under the headings “Employment Agreements” and “Other Potential Post-Employment Payments”.

Executive Compensation Oversight

Our executive compensation program is administered by our Compensation Committee. As reflected in its charter, our Compensation Committee is charged with reviewing and approving executive salaries, incentive arrangements, and goals and objectives relevant to the performance of our NEOs. Furthermore, our Compensation Committee is also responsible for overseeing all other aspects of executive compensation including executive benefits and perquisites, post-employment benefits and employment agreements. In addition, no less than annually, our Compensation Committee appraises the performance of our NEOs in light of these goals and objectives and sets compensation levels based on this evaluation. For calendar year 2010, the CEO provided individual performance assessments to our Compensation Committee on performance of individual NEOs other than himself. At the March 8, 2011 Committee meeting, our Compensation Committee reviewed the performance of the CEO in executive session, without the CEO or any member of management present.

Use of Consultants

For the period from April 1, 2010 (inception) through December 31, 2010, the Committee retained Board Advisory LLC as its compensation consultant to provide advice and resources regarding pay practices relevant to the Company as an employer, and to assist the Committee in the design of related executive compensation and employment programs. Board Advisory LLC reports directly to the Committee, and the Committee has the sole power to terminate or replace and authorize payment of fees to Board Advisory LLC at any time. The Committee directed Board Advisory LLC to work with members of our management to obtain information necessary for it to form its recommendations and evaluate management’s recommendations. Board Advisory LLC also met with the Committee during the Committee’s regular meetings, in executive session (where no members of management were present). Board Advisory LLC did not provide any additional services during calendar year 2010.

Elements of our Executive Compensation Program

The primary elements of our executive compensation program, including compensation of our NEOs, for the period from April 1, 2010 (inception) through December 31, 2010 were:

- base salary;
- an annual incentive bonus, paid in cash;
- a long-term incentive compensation plan;
- a tax-qualified savings plan with matching company contributions; and
- perquisites and other personal benefits.

In setting compensation amounts for each NEO, our Compensation Committee considers, among other factors, the responsibilities, performance and experience of the executive, as well as comparative market pay data. In setting initial target compensation levels the Committee sets both a salary and a target annual incentive amount, expressed as a percent of annual salary. Subsequent increases to base salary are set based on an

evaluation of individual performance, as well as responsibilities and comparative market data. Changes to the annual cash incentive target are based on individual executive responsibilities, within the general parameters of competitive practice.

Given satisfactory performance evaluations and achievement of investor financial objectives, our goal is to manage NEO cash compensation (salary and annual cash bonus) within the range of competitive practice. The Committee has not approved an equity plan or long-term incentive plan for the Company's NEO's, but intends to provide a plan in calendar year 2011 that, in conjunction with other pay elements, provides superior pay opportunities that achieve or exceed the 75th percentile of size-adjusted peer firms when investor objectives are achieved. For calendar year 2011, the Committee expects to review and approve a peer group specifically for this purpose.

Further specifics with regard to each element of compensation are discussed in the sections below.

Base Salary

We pay our NEOs a base salary as fixed compensation for their time, efforts and commitments throughout the year. Salary levels are typically reviewed annually as part of our performance review process as well as upon a promotion or other change in job responsibility. Our Compensation Committee considers, among other performance standards, the NEO's contributions in assisting the Company in meeting its financial targets, improving operational efficiencies, creating and executing a clear strategy, leading and overseeing major projects, creating a winning culture, compliance and safety. Competitive pay data is also reviewed by our Compensation Committee as a reference point, but does not necessarily control the Committee's pay decisions.

Individual performance is assessed through our annual employee evaluation process, which compares performance goals established for the NEO's position within our Company to the NEO's actual performance for the year.

Increases in base salaries are included in total salary, as reflected in column (c) of the "Summary Compensation Table" below, and further described below in the "NEOs on an Individualized Basis" section.

Incentive Bonus Compensation

During 2007, we established the Amended and Restated Executive Incentive Plan ("EIP"). The purpose of the EIP is to provide additional cash compensation to eligible participants for their contribution to the achievement of our objectives, to encourage and stimulate superior performance and to assist in attracting and retaining highly qualified executives.

Under the EIP, target bonus amounts for the period from April 1, 2010 (inception) through December 31, 2010 were based on a percentage of base salary, according to each NEO's level and overall job responsibilities. This method of assigning each EIP target bonus percentage is consistent with our compensation philosophy, as discussed within the "Executive Compensation Philosophy" section above. In the instance of Mr. Kansky, the Compensation Committee authorized a fixed payment for the period from April 1, 2010 (inception) through December 31, 2010 as part of his recruitment to the Company, as noted in the table below. See the "NEOs on an Individualized Basis" section for discussion on incentive bonus compensation for each NEO.

Specific target bonus percentages for calendar year 2010 are set forth in the following table. The compensation for NEOs included in this Annual Report reflects compensation for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010.

Covered NEO	Calendar Year	Annual Base Salary	Annual Target Bonus Percentage	Annual Target Bonus Amount	2011 Pro Rata Target Bonus Amount [1]
Mr. Gaffney	2010	$2,000,000	130%	$2,600,000	$866,667[2]
Mr. Ballhaus [3]	2010	N/A	N/A	N/A	N/A
Mr. Schorer	2010	$ 476,146	75%	$ 357,110	$267,832
Mr. Rosenkranz	2010	$ 452,346	60%	$ 271,408	$203,556
Mr. Kansky	2010	$ 600,000	100%	$ 600,000[4]	$600,000[4]
Mr. Thorne [3]	2010	N/A	N/A	N/A	N/A
Mr. Nixon	2010	$ 424,000	60%	$ 254,400	$190,800

(1) Except as otherwise noted, pro rata target bonus amounts represent 9/12th of the annual target bonus amounts, based on the period from April 1, 2010 (inception) through December 31, 2010.

(2) Mr. Gaffney's pro rata target bonus amounts represent 4/12th of his annual target bonus amount, based on his hire date.

(3) The employment of Mr. Ballhaus and Mr. Thorne employment was terminated without Cause in August 2010.

(4) Mr. Kansky's EIP was contractually fixed for the period from April 1, 2010 (inception) through December 31, 2010. Per his employment agreement, his EIP target was 100% of his annual base salary.

Bonuses are paid under the EIP based on the attainment of certain financial performance metrics that were approved by our Compensation Committee, as set forth below. The EIP provides that the target bonus percentages, performance metrics and performance targets will be established annually during the first 90 days of the plan year.

For the period from April 1, 2010 (inception) through December 31, 2010, our financial performance metrics for our NEOs included earnings before interest, tax, depreciation and amortization ("EBITDA"), revenue and days sales outstanding ("DSO"). Each NEO's bonus payout formula is based on performance metrics tied to our consolidated performance. We established EBITDA as a key financial measure to assess our operating performance. In fiscal years where unusual, non-recurring items occur, we may adjust EBITDA, at the discretion of our Compensation Committee, to exclude such items that have been deemed by management to have little or no bearing on our normal operating performance. We established revenue as a key measure, as it measures gross sales to our customers and is consistent with our long-term strategic operational growth plan. We reward effective management of DSO as part of our bonus criteria because of its impact on cash flow.

Bonuses earned by our NEOs under the EIP for performance for the period from April 1, 2010 (inception) through December 31, 2010 are reflected in column (g) of the "Summary Compensation Table" below. Our consolidated performance targets and actual results for the period from April 1, 2010 (inception) through December 31, 2010 were as follows:

Calendar Year Ended	Performance Metric	Performance Targets [1]	Weighting of Performance Metrics	Actual Results
December 31, 2010 [2]	EBITDA[3]	$ 201 million	50%	$ 141 million
	Revenue	$2,768 million	25%	$2,642 million
	DSO[4]	70 days	25%	82 days

(1) This reflects the prorated performance targets for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010. The EBITDA and revenue targets have been adjusted for the deconsolidation of GLS.

(2) This reflects our financial results for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010.
(3) We adjusted EBITDA to exclude certain items at the discretion of the compensation committee such as retention bonuses, severance, external merger expenses and secondary offering expenses.
(4) DSO utilized for performance metric purposes is calculated as the average monthly DSO for the period from April 1, 2010 (inception) through December 31, 2010 and can differ from DSO calculated for financial reporting purposes, as disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" above. To satisfy the DSO target, the actual result would have to be 70 days or less.

Actual compensation under the EIP may differ from targeted compensation based on the achievement of Company annual financial performance metrics or through discretionary action by our Compensation Committee.

Our Compensation Committee did exercise discretion with respect to payouts when granting incentive bonus compensation under the EIP for the period from April 1, 2010 (inception) through December 31, 2010. The Committee's discretion reflected the performance of the individual executives in the execution of the Merger, the restructure and transition of the executive leadership group, the formation of a new strategic plan, the design and implementation of new management systems and processes, as well as the impact of the transition in the period. In exercising its discretion, the Committee considered the recommendations of Mr. Gaffney for EIP awards other than for Mr. Gaffney himself. Mr. Gaffney's EIP was discussed and approved in an executive session with no members of management present. The impact of the Committee's discretion is presented below in "Calendar Year 2010 EIP Payments" and reflected in the "Summary Compensation" Table below.

Calendar Year 2010 EIP Payments

Covered NEO	Pro Rata Target Bonus Amount[4]	Approved Bonus Amount [1]
Mr. Gaffney	$866,667[5]	$1,000,000[2]
Mr. Schorer	$267,832	$ 305,000
Mr. Rosenkranz	$203,556	$ 102,000
Mr. Kansky	$600,000	$ 600,000[3]
Mr. Nixon	$190,800	$ 375,000

(1) This reflects the bonus amount approved by the Committee on March 8, 2011 for each NEO. See below under the heading "NEOs Compensation on an Individualized Basis" for discussion as to the rationale for the approved bonus amount for each NEO.
(2) The Committee approved a $1 million fixed bonus for Mr. Gaffney at the March 8, 2011 Compensation Committee meeting.
(3) Mr. Kansky's EIP was contractually fixed for the period from April 1, 2010 (inception) through December 31, 2010. Per his employment agreement, his EIP target was 100% of his annual base salary.
(4) The pro rata bonus amounts represent 9/12ths of the annual target bonus amounts, based on the period from April 1, 2010 (inception) through December 31, 2010.
(5) Mr. Gaffney's pro rata target bonus amounts represent 4/12th of his annual target bonus amount, based on his hire date.

Long-Term Incentive Compensation Plan

During 2007, we adopted the Omnibus Incentive Plan ("OIP"). The principal features of the OIP were as follows:

- equity-based and cash-based awards;
- directors, NEOs and other employees are eligible;
- stock options will have a maximum 10-year term, will be priced at 100% of fair market value on date of grant and may not be re-priced without stockholder consent;

- stock appreciation rights will have a base price at 100% of fair market value of common stock on the grant date, may not be re-priced without stockholder consent and will result in a cash payment equal to the excess of the market price of our common stock on the exercise date over the base price;
- performance awards will be cash payments or equity grants based on Company performance metrics over a pre-established period;
- restricted stock grants may be in the form of actual shares or share units ("RSUs");
- other share-based awards primarily apply to grants of deferred stock for director compensation;
- there are maximum individual award limits; and
- awards may vest in the event of a change in control.

This plan was terminated as of the Merger date. As discussed in Note 10 to the DynCorp International consolidated financial statements, the RSUs granted under the OIP vested at the effective time of the Merger and were converted into the right to receive the Per Share Merger Consideration. All RSUs were vested and settled at the effective time of the Merger.

For the period from April 1, 2010 (inception) through December 31, 2010 we did not implement a long-term incentive plan. It is our intent to develop and implement a plan during calendar year 2011.

See the "NEOs Compensation on an Individualized Basis" section for further discussion on long-term incentive compensation for each NEO.

Restricted Stock Units

The OIP provided for the grant of RSUs and other equity-based awards. From time to time, our Compensation Committee approved RSU awards to certain of our key employees ("Participant(s)"). Historically these awards were granted to provide executives with attractive total compensation, to align the executives' interests with those of the Company, and to provide an incentive to the executives to increase the performance of the Company that is eventually reflected in the stock price. The grants were made pursuant to the terms and conditions of the OIP and were subject to award agreements between the Company and each Participant.

Participants vested in RSUs generally either: (i) ratably over the corresponding service term, generally one to three years ("service-based awards"); or (ii) cliff vest based on performance conditions tied to our financial performance ("performance-based awards"). The RSUs had an assigned value equivalent to our Predecessor's common stock and were settled in cash or shares of our common stock at the discretion of our Compensation Committee. Compensation related to RSUs is reflected in column (e) of the "Summary Compensation Table" below.

The Merger Agreement permitted the Predecessor Compensation Committee to issue (in the ordinary course of business consistent with past practice) RSUs in respect of not more than 200,000 shares of DynCorp International's Class A Common Stock. Our Predecessor Compensation Committee exercised such right and issued all of such RSUs during the second quarter of calendar year 2010. The Predecessor Compensation Committee granted five NEOs a total of 25,006 service-based RSUs each with a service term of two years. The number of units granted to each NEO was based on each NEOs performance and the role each NEO played in the Merger.

Name	Units Granted
Mr. Ballhaus	13,166
Mr. Schorer	3,706
Mr. Rosenkranz	1,892
Mr. Thorne	3,121
Mr. Nixon	3,121

As discussed above, the RSUs granted during the current and prior years were vested and settled at the effective time of the Merger. The aggregate grant date fair value amounts of these service-based RSUs are reflected in column (e) of the Summary Compensation Table.

Savings Plan

Each NEO is eligible to participate in our tax-qualified 401(k) plan on the same basis as all other eligible employees. We provide a Company matching contribution under the 401(k) plan on a non-discriminatory basis. The matching contributions paid by us on behalf of our NEOs are reflected in column (i) of the Summary Compensation Table. Details of the plan are discussed in Note 6 to the Delta Tucker Holdings, Inc. consolidated financial statements.

Perquisites and Other Personal Benefits

We maintain group medical and dental insurance, accidental death insurance and disability insurance programs for our employees, as well as customary vacation and other similar employee benefits. The NEOs are eligible to participate in these programs on the same basis as our other U.S.-based salaried employees.

Our Compensation Committee adopted an Executive Benefits Plan for designated executives effective January 1, 2008, including our NEOs, under which they are reimbursed up to $15,000 per year in the aggregate for annual physical examinations not covered by our group health plans, as well as personal income tax services and estate planning services. Payments under the Executive Benefits Plan are grossed up to compensate for income taxes on the payments. For the period from April 1, 2010 (inception) through December 31, 2010, payments in the aggregate tax adjusted amount of $41,207 were made to our NEOs under this plan and are reflected in column (i) of the Summary Compensation Table.

The cost we incurred in providing term life insurance benefits to each of our NEOs is reflected in column (i) of the "Summary Compensation Table" below. This benefit is generally available to most U.S.-based non-union employees.

Messrs. Gaffney and Rosenkranz are provided with a special travel accident policy with benefit payout amounts of $20,000,000 and $3,825,000, respectively. The annual premium for Messrs. Gaffney and Rosenkranz is $150,000 and $28,689, respectively. The NEO's respective taxable share of the premium for such insurance are reflected in column (i) of the "Summary Compensation Table" below. In addition, Mr. Gaffney will be provided with a $12,500,000 life insurance policy.

Tax Implications of Executive Compensation

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended ("Section 162(m)"), limits the deduction for a publicly held corporation for otherwise deductible compensation to any "covered employee" to $1,000,000 per year. As described above in Note 1 to the Delta Tucker Holdings, Inc. consolidated financial statements, as of July 7, 2010 DynCorp International's stock is no longer publicly traded. As of December 31, 2010, the Company is not a publicly held corporation; therefore Section 162(m) is no longer applicable to the Company.

Accounting Implications of Executive Equity-Based Compensation

Our RSU awards were determined to be liability awards in accordance with FASB Accounting Standards Codification ("ASC") 718, Compensation-Stock Compensation, (formerly SFAS 123(R)). Therefore, the fair value of the RSU awards was re-measured at each financial reporting date until they vested per the applicable vesting schedule or as a result of the Merger. As of December 31, 2010 there were no RSU awards outstanding.

NEOs Compensation on an Individualized Basis

The following paragraphs describe the manner in which our Compensation Committee determined the specified amount of each element of compensation for NEOs on an individualized basis for the period from

April 1, 2010 (inception) through December 31, 2010. The target compensation amounts and percentages discussed for the base salary and EIP program are prorated to reflect the nine month period. See the "Base Salary", "Incentive Bonus Compensation," "Long-Term Incentive Compensation Plan" and "Restricted Stock Units" for general discussion on the compensation elements discussed below. Other compensation, including 401(k) matching, paid time off and related benefits generally available to all domestic employees, are provided to the NEOs, but are not a significant portion of their compensation.

Mr. Gaffney joined the Company in August 2010 as the CEO. His annual base salary was $2,000,000 of which he earned $726,696 based on his August 2010 employment start date. Mr. Gaffney was eligible for a target annual incentive of 130% of his salary, with the opportunity to earn up to 200% of his salary if certain performance levels were achieved. Mr. Gaffney's salary and EIP target were set by the Committee based upon negotiations between the Committee and Mr. Gaffney. In March of 2011 the Committee reviewed Mr. Gaffney's performance and determined that the organization did not achieve its financial objectives. However, the Committee determined that Mr. Gaffney had achieved substantial progress in his development of a post-Merger strategic plan, his success in recruiting a new management team and implementation of a new management structure, and his progress in establishing new management processes and controls. Based upon this assessment the Committee authorized payment of $1,000,000, reflecting 115.4% of Mr. Gaffney's pro rata EIP target or 38.5% of his full year target. Mr. Gaffney's pro rata EIP target amount was $866,667 based on the nine month period ended December 31, 2010 and his date of hire. Mr. Gaffney did not receive any equity-based compensation for the period from April 1, 2010 (inception) through December 31, 2010, as his employment with the Company began after the OIP was terminated. The Board intends to grant Mr. Gaffney equity at a future date, as set forth in his employment agreement.

Mr. Ballhaus' compensation was impacted by his employment termination on August 25, 2010. Mr. Ballhaus' base salary increased approximately 6%, from $850,000 to $900,000, from fiscal year 2010, in consideration of the Committee's assessment of his performance relative to objectives established for his position. Prior to the Merger, Mr. Ballhaus also received equity-based compensation in the form of 13,166 service-based RSUs. Under the terms of his agreement, the RSUs became fully vested and settled on the Merger date. Due to his termination, Mr. Ballhaus did not participate in our EIP program for the period from April 1, 2010 (inception) through December 31, 2010. In addition, Mr. Ballhaus received a special incentive bonus in the amount of $2,303,750. The special incentive bonus was associated with services provided by Mr. Ballhaus' to close the Merger and transition the role of Chief Executive Officer to Mr. Gaffney. . Furthermore, in connection with Mr. Ballhaus' termination, he was provided with severance in accordance with his employment agreement. For further discussion on Mr. Ballhaus' severance see "Mr. Ballhaus' Post-Employment Payments and Benefits" section below.

Mr. Schorer's base salary increased approximately 5%, from $455,642 to $476,146 from fiscal year 2010 to August 2010, during which time he was the President of our Global Platform Support Services operating segment, in consideration of the Committee's assessment of his performance. His annual base salary increased from $476,146 to $600,000, of which he earned $394,790, in November 2010 in recognition of his promotion to President of the Company. The Committee did not target any specific market reference point in setting or adjusting Mr. Schorer's salary. Mr. Schorer participated in our EIP program for the period from April 1, 2010 (inception) through December 31, 2010. Mr. Schorer's pro rata EIP target amount was $267,832 based on the nine month period ended December 31, 2010. In March of 2011, the Committee reviewed Mr. Schorer's performance and authorized payment of 113.9% of Mr. Schorer's pro rata EIP or 85.4% of his full year target. This payment of $305,000 reflected a discretionary adjustment in recognition Mr. Schorer's role in the post-Merger restructuring of the organization. Prior to the Merger, Mr. Schorer also received equity-based compensation in the form of 3,706 service-based RSUs. Under the terms of his agreement, the RSUs became fully vested and settled on the Merger date.

Mr. Rosenkranz's base salary increased approximately 3%, from $439,171 to $452,346, of which he earned $352,334, from fiscal year 2010, in consideration of the Committee's assessment of his performance.

Mr. Rosenkranz participated in our EIP program for the period from April 1, 2010 (inception) through December 31, 2010. Mr. Rosenkranz's pro rata EIP target amount was $203,556 based on the nine month period ended December 31, 2010. In March of 2011 the Committee reviewed Mr. Rosenkranz's performance and authorized payment of 50.1% of Mr. Rosenkranz's pro rata EIP. The payment of $102,000 reflected the Committee's assessment of his performance. Prior to the Merger, Mr. Rosenkranz also received equity-based compensation in the form of 1,892 service-based RSUs. Under the terms of his agreement the RSUs became fully vested and settled on the Merger date. In connection with the restructuring of the organization, Mr. Rosenkranz was terminated by the Company without Cause on January 31, 2011. For further discussion on Mr. Rosenkranz's severance see "Mr. Rosenkranz's Post-Employment Payments and Benefits" section below.

Mr. Kansky joined the Company in August 2010 as the Senior Vice President, Chief Financial Officer and Treasurer. His base salary was $600,000 for the period from April 1, 2010 (inception) through December 31, 2010 of which he earned $242,308 based on his August 2010 employment start date. Mr. Kansky participated in our EIP program during for the period from April 1, 2010 (inception) through December 31, 2010. Mr. Kansky's eligible EIP target amount was contractually fixed at the time of hire at $600,000, for the period from April 1, 2010 (inception) through December 31, 2010. Mr. Kansky's salary and EIP target were set at the recommendation of the CEO, based upon Mr. Kansky's existing earnings power at the time he was recruited to the Company. Mr. Kansky did not receive any equity-based compensation for the period from April 1, 2010 (inception) through December 31, 2010.

Mr. Thorne's fiscal 2011 compensation was impacted by his employment termination on August 9, 2010. Mr. Thorne's base salary increased approximately 5%, from $414,960 to $435,708, from fiscal year 2010 to June 4, 2010, reflecting the Committee's assessment of his performance. Prior to the Merger, Mr. Thorne also received equity-based compensation in the form of 3,121 service-based RSUs. Under the terms of his agreement, the RSUs became fully vested and settled on the Merger date. Due to his termination, Mr. Thorne did not participate in our EIP program for the period from April 1, 2010 (inception) through December 31, 2010. Furthermore, in connection with Mr. Thorne's termination, we provided him with severance in accordance with his employment agreement. For further discussion on Mr. Thorne's severance see "Mr. Thorne's Post-Employment Payments and Benefits" section below.

Mr. Nixon became an NEO during the period. His base salary for the period from April 1, 2010 (inception) through December 31, 2010 was $424,000, of which he earned $315,477. Mr. Nixon participated in our EIP program for the period from April 1, 2010 (inception) through December 31, 2010. Mr. Nixon's pro rata EIP target amount was $190,800 based on the nine month period ended December 31, 2010. In March of 2011, the Committee reviewed Mr. Nixon's performance and authorized payment of 196.5% of Mr. Nixon's pro rata EIP or 147.4% of his full year target. The payment of $375,000 reflected a discretionary adjustment in recognition Mr. Nixon's role in the post-Merger restructuring of the organization. In addition, Mr. Nixon received a $500,000 retention bonus associated with his efforts in actively supporting and working towards the execution of the Merger. Prior to the Merger, Mr. Nixon also received equity-based compensation in the form of 3,121 service-based RSUs. Under the terms of his agreement the RSUs became fully vested and settled on the Merger date.

RISK MANAGEMENT IMPLICATIONS OF EXECUTIVE COMPENSATION

In connection with its oversight of compensation related risks, our Compensation Committee annually evaluates whether our Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on our Company. Our compensation (base salary, executive/management incentive plan bonus compensation or equity-based compensation) is driven by either the passage of time (based on salaries established through market studies) or by a narrow set of performance metrics: (i) EBITDA; (ii) revenue; and (iii) DSO. Compensation based on the passage of time does not create risk-taking incentives. Therefore, we have focused our consideration of risk and rewards on the compensation driven by the three performance metrics.

The structure of our incentive bonus program, which is based on three performance metrics, mitigates risks by avoiding employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business. We believe our performance measures are well aligned with creating long-term value and do not create an incentive for excessive risk taking or unusual pressure on any single operating segment. Furthermore, our compensation policies and practices are consistent throughout the organization. Based on this evaluation, our Compensation Committee determined that our compensation programs do not encourage risk taking that is reasonably likely to have a material adverse effect on the Company.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Annual Report. Based on such review and discussions, our Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Annual Report.

The Compensation Committee:

Brett Ingersoll, Chairman
General John Tilelli (USA Ret.), Chairman
General Michael Hagee (USMC Ret.)

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth information regarding compensation for calendar year 2010 and fiscal years 2010 and 2009 awarded to, earned by or paid to our NEOs. Calendar year 2010 reflects compensation for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010.

Name and Principal Position	Calendar/ Fiscal Year	Salary ($)	Bonus ($)	Stock (Equity) Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($) (3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(g)	(i)	(j)
Steven F. Gaffney (4)	2010(8)	726,696	—	—	1,000,000	32,603	1,759,299
President & Chief Executive Officer							
William L. Ballhaus	2010(8)	404,011	2,303,750(5)	224,085	—	4,116,392	7,048,238
Former President & Chief Executive	2010	845,514	—	2,282,974	950,300	86,704	4,165,492
Officer	2009	547,500	350,000(6)	985,822	816,400	97,814	2,797,536
Steven T. Schorer (4)	2010(8)	394,790	—	63,076	305,000	21,636	784,502
President	2010	440,742	—	1,229,900	405,300	23,340	2,099,282
Robert B. Rosenkranz	2010(8)	352,334	—	32,202	102,000	61,155	547,691
Executive Vice President & Chief of	2010	466,685	—	300,015	294,600	82,459	1,143,759
Staff	2009	419,299	—	—	365,340	73,886	858,525
William T. Kansky (4)	2010(8)	242,308	—	—	600,000	7,073	849,381
Senior Vice President, Chief Financial Officer							
Michael J. Thorne	2010(8)	199,327	—	53,119	—	1,587,105	1,839,551
Former Senior Vice President, Chief	2010	408,880	—	508,500	278,400	43,840	1,239,620
Financial Officer & Treasurer	2009	390,523	—	—	297,823	47,636	735,982
Gregory S. Nixon (4)	2010(8)	315,477	500,000(7)	53,119	375,000	14,418	1,258,014
Senior Vice President, General Counsel and Corporate Secretary							

(1) The amounts reported in column (e) relating to service-based RSUs represents the aggregate grant date fair value of awards computed in accordance with FASB ASC 718. The amount reported in column (e) relating to performance-based RSUs represents the aggregate grant date estimate of compensation costs to be recognized over the service period, excluding the effect of forfeitures with respect to performance awards. There were service-based RSUs granted during the period from April 1, 2010 through July 2, 2010. There were no performance-based awards granted for the period from April 1, 2010 (inception) through December 31, 2010. As of December 31, 2010 all service-based RSUs units were vested and settled. Assumptions used in the calculation of these awards are discussed in Note 10 of the DynCorp International consolidated financial statements. Further information is provided in the RSUs discussion below under the heading "Grants of Plan-Based Awards". Note Messrs. Gaffney and Mr. Kansky were not granted any equity awards for the period from April 1, 2010 (inception) through December 31, 2010.

(2) The amounts reported in column (g) represent cash bonuses that were earned for the period from April 1, 2010 (inception) through December 31, 2010 and in fiscal years 2010 and 2009 pursuant to our EIP, which is discussed above under the heading "Incentive Bonus Compensation". Bonuses for fiscal year 2010 were paid out on June 10, 2010. The bonuses earned for the period from April 1, 2010 (inception) through December 31, 2010 were paid on March 14, 2011.

(3) The amount of each component of All Other Compensation reported in column (i) for each NEO is set forth in the "All Other Compensation" table below.

(4) Information is not included for Mr. Nixon for the period prior to the year he became an NEO. Information is not included for Messrs. Gaffney and Kansky for the period prior to their employment with the Company.

(5) This amount reflects the special incentive bonus paid to Mr. Ballhaus for the period from April 1, 2010 (inception) through December 31, 2010. Further information is provided above under the heading "NEOs Compensation on an Individualized Basis".

(6) This amount reflects a sign-on bonus associated with Mr. Ballhaus' employment contract.

(7) This amount reflects a retention bonus paid to Mr. Nixon for the period from April 1, 2010 (inception) through December 31, 2010, as discussed above under the heading "NEOs Compensation on an Individualized Basis".

(8) This represents the calendar year 2010 compensation for the period from April 1, 2010 (inception) through December 31, 2010.

All Other Compensation

The following table outlines perquisites and personal benefits provided to our NEOs in calendar year 2010 and in fiscal years 2010 and 2009. The calendar year reflects compensation for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010.

Name	Calendar/ Fiscal Year	401(k) Matching Contributions ($) (5)(6)	Severance ($)	Professional Fees Reimbursements ($) (1)	Paid Time Off ($) (2)	Cost of Insurance Policies ($) (3)	Total Other Compensation ($)
Mr. Gaffney	2010(4)	—	—	—	—	32,603	32,603
Mr. Ballhaus (5)	2010(4)	4,819	4,055,000	11,405	—	45,168	4,116,392
	2010	11,281	—	26,654	—	48,769	86,704
	2009	8,500	—	16,877	—	72,437	97,814
Mr. Schorer (5)	2010(4)	8,824	—	—	—	12,812	21,636
	2010	1,227	—	5,214	—	16,899	23,340
Mr. Rosenkranz	2010(4)	1,494	—	—	19,868	39,793	61,155
	2010	8,478	—	12,604	22,102	39,275	82,459
	2009	7,970	—	1,033	20,576	44,307	73,886
Mr. Kansky	2010(4)	—	—	—	—	7,073	7,073
Mr. Thorne	2010(4)	2,843	1,523,230	6,711	47,769	6,552	1,587,105
	2010	10,338	—	—	16,469	17,033	43,840
	2009	9,892	—	4,256	17,538	15,950	47,636
Mr. Nixon (5)	2010(4)	2,635	—	—	—	11,783	14,418

(1) Represents professional fees reimbursements paid out during the for the period from April 1, 2010 (inception) through December 31, 2010 and fiscal years 2010 and 2009.

(2) Represents compensation paid out during the calendar year in lieu of unused vacation and personal time in accordance with Company policy.

(3) Represents the cost of Company-paid term-life insurance policies for our NEOs and our NEOs' share of premiums for special business travel accident policies, including tax gross-up amounts paid to our NEOs, for the benefit of Messrs. Gaffney and Rosenkranz.

(4) This represents the calendar year 2010 compensation for the period from April 1, 2010 (inception) through December 31, 2010.

(5) Information is not included for Mr. Nixon for the period prior to the year he became an NEO. Information is not included for Messrs. Gaffney and Kansky for the period prior to their employment with the Company.

(6) The Company matches up to $10,700 per calendar year. If an executive is matched for more than $10,700 in any given calendar year, the overage would be called back in the following calendar year.

GRANTS OF PLAN-BASED AWARDS IN CALENDAR YEAR 2010

The following table provides information about equity awards and non-equity incentive plan awards granted to our NEOs in calendar year 2010. Calendar year 2010 reflects compensation / grants for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010. Each award is shown separately for each NEO.

		Estimated future payouts under non-equity incentive plan awards (1)			Estimated future payouts under equity incentive plan awards						
Name	Grant date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All other stock awards: number of shares of stock or units (#) (2)	All other option awards: number of securities underlying options (#)	Exercise or base price of option awards ($/Sh)	Grant date fair value of stock and option awards ($) (3)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Mr. Gaffney	06/04/10				—	—	—	—	—	—	—
	06/04/10	173,333	866,667	1,733,333							
Mr. Ballhaus (4)	06/04/10				13,166	13,166	13,166	13,166	—	—	224,085
	06/04/10	—	—	—							
Mr. Schorer	06/04/10				3,706	3,706	3,706	3,706	—	—	63,076
	06/04/10	53,566	267,832	535,664							
Mr. Rosenkranz	06/04/10				1,892	1,892	1,892	1,892	—	—	32,202
	06/04/10	40,711	203,556	407,112							
Mr. Kansky	06/04/10				—	—	—	—	—	—	—
	06/04/10	90,000	450,000	900,000							
Mr. Thorne (4)	06/04/10				3,121	3,121	3,121	3,121	—	—	53,119
	06/04/10	—	—	—							
Mr. Nixon	06/04/10				3,121	3,121	3,121	3,121	—	—	53,119
	06/04/10	38,160	190,800	381,600							

(1) Threshold, target and maximum amounts are calculated based on the weighted averages of the respective performance measures under the EIP, which is discussed further above under the heading “Incentive Bonus Compensation”.

(2) The amounts reflect service-based RSUs granted to our NEOs during the second quarter of calendar year 2010.

(3) The amounts represent the grant date fair value of the calendar year 2010 RSU awards. Our RSUs are accounted for as liability awards in accordance with ASC 718. Assumptions used in the calculation of these awards are discussed in Note 10 of the DynCorp International consolidated financial statements. As of December 31, 2010 all RSUs were vested and settled. Further information is provided in the RSUs and other equity-based awards discussion above under the heading “Restricted Stock Units” section above. Note Messrs. Gaffney and Mr. Kansky were not granted any equity awards during calendar year 2010.

(4) The employment of Mr. Ballhaus and Mr. Thorne employment was terminated without Cause, as defined below under the heading “Material Terms Defined”, in August 2010.

Employment Agreements

We have employment agreements with Messrs. Gaffney, Rosenkranz, Kansky, Schorer and Nixon. We also had entered into employment agreements with Messrs. Ballhaus and Thorne whose employment was terminated on August 25, 2010 and August 9, 2010, respectively, without Cause, which is defined in the “Material Terms Defined” section below. A description of the payments and benefits Messrs. Ballhaus and Thorne received in connection with their termination is provided in “Other Potential Post-Employment Payments” below.

The initial term of the employment agreements is four years for Mr. Gaffney and five years for Mr. Rosenkranz. The remaining term of Mr. Gaffney’s employment agreement is approximately three and a half years. In connection with the restructuring of the organization, Mr. Rosenkranz was terminated by the Company, without Cause, on January 31, 2011. There is no length of time associated with Messrs. Schorer’s, Nixon or Kansky’s employment agreements.

The employment agreements establish initial minimum salaries and annual incentive compensation targets for each of the covered NEOs. See the “Incentive Bonus Compensation” section for the calendar year 2010 base salary and target bonus amounts.

Pursuant to his employment agreement, Mr. Gaffney has agreed that he will not (a) for a period of two years following termination of his employment, solicit, for purposes of marketing, selling or providing services or products thereto, any party which was a customer of ours during the year prior to his termination or was a targeted customer at the time of termination or (b) solicit for employment any person who was an employee of ours during the year prior to his termination or directly or indirectly solicit or induce a current employee. He has also agreed that, for a period of two years following early termination of his employment or one year following normal expiration of the term of his employment agreement, he will not compete with us for contracts held by us, or for which we are in the bidding process at the time of termination. Furthermore, during this non-compete period, he will not organize, establish, own, operate, act as a consultant or advisor to, render services for or otherwise assist any person or entity that has derived 15 percent or more of its annual revenues performing services that are competitive to the Company.

Pursuant to the employment agreements of Messrs. Rosenkranz, Schorer and Nixon, each such NEO has agreed that, during the term of the employment agreement and for a period of one year following the termination of the agreement, he will not employ or solicit for employment any current or former employees of our Company.

Furthermore, NEOs may not disclose any confidential information to any person or entity, unless required by law. In addition, under the terms of the employment agreements, we have agreed to indemnify the NEOs against any claims or liabilities relating to our NEOs’ services to us, to the extent permitted by applicable law, and to pay for counsel for our NEOs’ defense.

The NEOs’ employment agreements provide for payments in connection with certain terminations of employment. A description of the payments and benefits each NEO receives upon termination of employment is provided below in “Other Potential Post-Employment Payments”.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2010

In connection with the Merger on July 7, 2010, all outstanding equity awards were vested and paid. As of December 31, 2010 there were no equity awards outstanding. See discussion above in Note 10 to the DynCorp International’s consolidated financial statements.

OPTION EXERCISES AND STOCK VESTED IN CALENDAR YEAR 2010

The following table provides information about exercise of stock options and vesting of stock awards for each of our NEO in calendar year 2010 on an aggregated basis. Calendar year 2010 reflects compensation for the nine month period beginning April 1, 2010 (inception) and ended on December 31, 2010. Each award is shown separately for each NEO.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#) [1]**	**Value Realized on Vesting ($)**
Mr. Gaffney [2]	—	—	—	—
Mr. Ballhaus	—	—	175,666	1,953,326
Mr. Schorer	—	—	73,706	841,081
Mr. Rosenkranz [3]	—	—	19,592	245,475
Mr. Kansky [2]	—	—	—	—
Mr. Thorne	—	—	33,121	414,644
Mr. Nixon	—	—	33,121	414,644

(1) Amount represents the number performance-based and service-based RSUs that vested during calendar year 2010.

(2) Note Messrs. Gaffney and Kansky joined the Company during calendar year 2010 and were not granted any equity awards.

(3) The amount reported for Mr. Rosenkranz includes the number of shares acquired on vesting and value realized on the vesting of Mr. Rosenkranz's RSUs. In addition, Mr. Rosenkranz's Class B Interests vested at the Merger which is not reflected in this table. The realized value of his vested Class B Interests as of the Merger date was $797,742, which represented 45,455 Common Stock equivalents (issued by DIV Holdings, Inc.), based on our closing stock price at the Merger date. The realized value of the Class B Interests was calculated using a market value model that includes the following variables: the Company's stock price; the number of outstanding common shares; and DIV Holding ownership percentage. For further information on Class B Interests see Note 10 to DynCorp International's consolidated financial statements.

Pension Benefits and Nonqualified Deferred Compensation

None of our NEOs participates in any defined benefit pension plan sponsored by the Company. None of our NEOs participates in any nonqualified deferred compensation plan sponsored by the Company.

Other Potential Post-Employment Payments

The following section describes the payments and benefits that would be provided to our NEOs in connection with any termination of employment, including resignation, involuntary termination, death, retirement, disability or a change in control to the extent occurring on December 31, 2010. However, the amounts that would actually be paid under each circumstance can only be determined at the time of termination of employment. The assumptions and methodologies that were used to calculate the amounts paid upon a termination of employment are set forth at the end of this section. Definitions are included below in the "Material Terms Defined".

Payments Made Upon Certain Terminations

In the event Mr. Gaffney is terminated by us without Cause or due to the Company's non-renewal of his employment term, we would provide him with the following payments and benefits:

- a payment for the accrued but unpaid base salary to the date of termination and any employee benefits he is entitled to receive pursuant to the employee benefits plans of the Company;

- a payment for accrued unused vacation days, payable in accordance with Company policy;
- a payment equal to two times the sum of his then current base salary plus his target bonus amount for the year of termination, payable in 24 monthly installments during the two years following termination;
- a payment equal to the unpaid portion of his incentive compensation, if any, relating to any year prior to the fiscal year of his termination;
- continued vesting of his equity awards for the remainder of the fiscal year of termination;
- reimbursement for the cost of continued medical coverage for the same portion of his Consolidated Omnibus Budget Reconciliation Act ("COBRA") health insurance premium that we paid during his employment, until the earlier of either the last day of his COBRA health insurance benefits or the date on which he becomes covered under any other group health plan; and
- outplacement services commensurate with his rank.

In the event that Mr. Kansky is terminated by us without Cause, we would provide him with a payment equal to two times his base salary plus target annual bonus opportunity in effect at the time of termination.

In the event that either Mr. Schorer or Mr. Nixon is terminated by us without Cause or voluntarily terminates his employment for Cause, we would provide such NEO with the following payments and benefits:

- a payment equal to such NEO's salary earned through the date of termination or resignation;
- a payment for any accrued vacation benefits;
- a payment equal to two times such NEO's base salary in effect at the time of termination; and
- a payment equal to the pro-rated portion of such NEO's EIP bonus.

In connection with the restructuring of the organization, Mr. Rosenkranz was terminated by the Company, without Cause, on January 31, 2011. For further discussion on Mr. Rosenkranz's severance see "Mr. Rosenkranz's Post-Employment Payments and Benefits" section below.

Payments Made Upon Retirement, Death, Disability, or Complete Disability

Mr. Gaffney's employment agreement provides that, if his employment is terminated by reason of Disability, he will receive a payment equal to (a) the accrued but unpaid base salary to the date of termination and any employee benefits he is entitled to receive pursuant to the employee benefit plans of the Company, plus (b) accrued unused vacation days, plus (c) two times the sum of his then current base salary plus his target bonus amount for the year of termination, payable in 24 monthly installments during the two years following termination, plus (d) the unpaid portion of his incentive compensation, if any, relating to any year prior to the fiscal year of his termination, plus (e) continued vesting of his equity awards for the remainder of the fiscal year of such termination, plus (f) reimbursement for the cost of continued medical coverage for the same portion of his COBRA health insurance premium that we paid during his employment, until the earlier of either the last day of his COBRA health insurance benefits or the date on which he becomes covered under any other group health plan.

Mr. Gaffney's employment agreement provides that, if his employment is terminated by reason of death, he will receive a payment equal to (a) the accrued but unpaid base salary to the date of termination and any employee benefits he is entitled to receive pursuant to the employee benefit plans of the Company, plus (b) all appropriate business expenses, incurred by him in connection with his duties under his employment agreement, incurred but not yet reimbursed, plus (c) benefits under his life insurance policy. In addition, his equity awards will continue to vest for the remainder of the fiscal year of termination.

The employment agreements of Messrs. Schorer, Rosenkranz and Nixon provide that, if their employment is terminated by reason of Retirement, death or Complete Disability, they will receive the following payments and benefits:

- a payment equal to the pro rated portion of such NEO's incentive compensation that would be payable based on our projected performance through the termination date; and
- the right to exercise any vested stock options or other rights based upon the appreciation in value of our stock, if applicable.

As of the date of this Annual Report, Mr. Kansky had no noncompete agreement with the Company as of the report date; as such he is not covered in the event of Retirement, death, or Complete Disability. Furthermore, Mr. Kansky is not covered for health insurance in the event of an involuntary termination without Cause or voluntary termination for Cause or Good Cause. The Company intends to execute an agreement with Mr. Kansky during calendar year 2011.

Payments Made Upon Involuntary Termination for Cause, Voluntary Termination without Cause or Good Cause, or a Change in Control

The NEOs are not entitled to any payments or benefits (other than accrued but unpaid compensation and benefits) in the event of an involuntary termination for Cause, voluntary termination without Cause or Good Cause, or a change in control.

Approximation of Other Potential Post-Employment Payments for Messrs. Gaffney, Kansky, Schorer and Nixon

This section quantifies the potential payments and benefits that would have been paid to Messrs. Gaffney, Schorer, Kansky and Nixon upon a termination of their employment occurring on January 1, 2011. If they were terminated involuntarily without Cause or voluntarily terminated for Cause or Good Cause, they would receive cash severance payments equal to $9,200,000, $1,710,000, $2,400,000 and $1,272,000, respectively. Messrs. Ballhaus and Thorne ended their employment with the Company in August 2010 and as such would not be entitled to post-employment payments at January 1, 2011. For discussion on Mr. Rosenkranz's severance see "Mr. Rosenkranz's Post-Employment Payments and Benefits" section below.

The cost of reimbursing Messrs. Gaffney, Schorer, Rosenkranz and Nixon for health insurance in the event of an involuntary termination without Cause or voluntary termination for Cause or Good Cause is approximately $13,000 to $26,000 per executive.

In the event of Retirement, death, or Complete Disability, Messrs. Schorer and Nixon would receive cash severance payments up to $357,110 and $254,400, respectively. In the event of Disability Mr. Gaffney would receive cash severance payments equal to $9,200,000.

Mr. Ballhaus' Post-Employment Payments and Benefits

Mr. Ballhaus' employment was terminated by us, without Cause, on August 25, 2010. In connection with Mr. Ballhaus' termination, we provided Mr. Ballhaus with the following payments and benefits:

- accrued but unpaid base salary through the date of termination;
- a payment for accrued unused vacation days, payable in accordance with Company policy;
- a prorated portion of his target bonus amount for calendar year 2010, in the amount of $375,000; and
- a cash severance payment of $3,680,000, equal to two times the sum of Mr. Ballhaus' base salary plus target bonus amount, payable in two equal lump sum payments.

Mr. Ballhaus also received a special incentive bonus of $2,303,750 to transition the role of Chief Executive Officer to Mr. Gaffney. Mr. Ballhaus received $1,732,500 of the special incentive bonus in September 2010, the remaining amount is payable in a lump sum payment of $571,250 on March 1, 2011.

Mr. Thorne's Post-Employment Payments and Benefits

Mr. Thorne's employment was terminated by us, without Cause, on August 9, 2010. In connection with Mr. Thorne's termination, we provided Mr. Thorne with the following payments and benefits:

- accrued but unpaid base salary through the date of termination;
- a payment for accrued unused vacation days, payable in accordance with Company policy;
- a prorated portion of his target bonus amount for calendar year 2010, in the amount of $108,400;
- a cash severance payment of $1,394,266, equal to two times the sum of Mr. Thorne's base salary plus target bonus amount, payable in two equal lump sum payments; and
- continued health benefits coverage until the earlier of (a) the last day of Mr. Thorne's COBRA coverage or (b) the date on which Mr. Thorne becomes covered under any other group health plan, with his portion of the premium costs being the same as the amounts he paid during his employment, at a cost to the Company of approximately $21,000.

Mr. Rosenkranz's Post-Employment Payments and Benefits

Mr. Rosenkranz's employment was terminated by us, without Cause, on January 31, 2011. In connection with Mr. Rosenkranz's termination, we provided Mr. Rosenkranz with the following payments and benefits:

- accrued but unpaid base salary through the date of termination;
- a payment for accrued unused vacation days, payable in accordance with Company policy;
- a prorated portion of his target bonus amount for calendar year 2010, in the amount of $102,000;
- a cash severance payment of $452,346, equal to one times the sum of Mr. Rosenkranz's base salary, payable in two equal lump sum payments; and
- continued health benefits coverage until the earlier of (a) the last day of Mr. Rosenkranz's COBRA coverage or (b) the date on which Mr. Rosenkranz becomes covered under any other group health plan, with his portion of the premium costs being the same as the amounts he paid during his employment, at a cost to the Company of approximately $9,200.

Material Terms Defined

"Cause" means: (a) the willful and continued failure by the executive to substantially perform his duties with the operating company (other than any such failure resulting from his incapacity due to physical or mental illness, injury or disability), after a written demand for substantial performance is delivered to him by the Board that identifies, in reasonable detail, the manner in which the Board believes that the executive has not substantially performed his duties in good faith, and he fails to cure the matter if curable; (b) the willful engaging by the executive in conduct that causes material harm to the operating company, monetarily or otherwise; (c) the executive's conviction of a felony arising from conduct during the term of his employment agreement; or (d) the executive's willful malfeasance or willful misconduct in connection with executive's duties.

"Good Cause" means any of the following actions taken by the operating company or any subsidiary that employs the executive: (a) assignment to the executive of duties that are materially inconsistent with his status as a senior executive or which represent a substantial diminution of his duties or responsibilities in the operating company; (b) reduction of the executive's base salary, except in connection with an across-the-board salary

reduction for all executives; (c) a failure by the operating company to pay any of the executive's compensation in accordance with the operating company's policy; (d) change of the executive's title; or (e) failure to comply with the obligations of the operating company pursuant to the executive's employment agreement.

"Disability" is defined in Mr. Gaffney's agreement as the determination by the Company, its subsidiaries or affiliates that, as a result of a permanent physical or mental injury or illness, the executive has been unable to perform the essential functions of his job with or without reasonable accommodation for (a) 120 consecutive days or (b) a period of 180 days in any 12-month period.

"Complete Disability" is defined as the inability of the executive to perform his duties under his employment agreement, because he has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the operating company then in force. In the event the operating company has no policy of disability income insurance covering employees of the operating company in force when the executive becomes disabled, the term "Complete Disability" means the inability of the executive to perform his duties under his employment agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated the executive from satisfactorily performing all of the executive's usual services for the operating company for a period of at least 120 days during any 12-month period (whether or not consecutive).

"Retirement" means the voluntary retirement of the executive from the operating company (1) at or after age 62 or (b) at any time after the combination of the executive's age and service with the operating company or any predecessor or subsidiary equals or exceeds 75 years.

Material Conditions to Receipt of Post-Employment Payments

The receipt of payments and benefits (other than accrued but unpaid compensation and vacation) to the executives upon a termination of employment is conditioned on the executive furnishing to the operating company an executed copy of a waiver and release of claims. Messrs. Ballhaus and Thorne were required to and did execute waiver and releases of claims as a condition to receiving their severance payments and benefits in connection with their termination of employment.

Methodologies and Assumptions Used for Calculating Other Potential Post-Employment Payments

The following assumptions and methodologies were used to calculate the post-employment payments and benefits described above.

The prorated incentive compensation severance amounts payable upon involuntary termination without Cause, voluntary termination for Cause or Good Cause, Retirement, death and Disability or Complete Disability reported above under the heading "Approximation of Other Potential Post-Employment Payments for Messrs. Gaffney, Kansky, Rosenkranz, Schorer and Nixon" assume that our projected performance will be at target.

DIRECTOR COMPENSATION

General

The Company has historically used a combination of cash and equity-based compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Board considers the significant amount of time that directors expend in fulfilling their duties as well as the skill-level required. The following information relates to the compensation of the directors for calendar year 2010.

The OIP plan was terminated as of the Merger date. During fiscal year 2011 we did not implement a long-term incentive plan. It is our intent to develop and implement a plan during calendar year 2011 which will include grants to our Board of Directors.

Board Retainer and Fees

Directors who were not affiliates of Cerberus or officers or employees of the Company received an annual retainer of $75,000, payable quarterly in advance.

Committee Fees

The Chairman of the Audit Committee received an annual fee of $15,000. The members who were not affiliates of Cerberus received an annual fee of $10,000.

The Chairman of the Compliance and Risk Committee received an annual fee of $15,000. The members who were not affiliates of Cerberus received an annual fee of $10,000.

The nonaffiliated member of our Compensation Committee received an annual fee of $10,000.

Director Compensation in Calendar Year 2010

The following table sets forth certain information with respect to the compensation we paid and value of equity awards granted to our directors during calendar year 2010.

DIRECTOR COMPENSATION TABLE

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock (Equity) Awards ($) [1] (c)	All Other Compensation ($) (d)	Total ($) (e)
Steven F. Gaffney [3]	—	—	—	—
William L. Ballhaus	42,500	—	—	42,500
General Michael Hagee (USMC Ret.)	52,500	—	—	52,500
Brett Ingersoll [2]	—	—	—	—
General John Tilelli (USA Ret.)	55,000	—	—	55,000

(1) There were no stock awards granted to the Company's directors for their service as directors during calendar year 2010 and there were no stock awards outstanding as of December 31, 2010. Mr. Ballhaus was granted 13,166 service-based RSUs during the second quarter of calendar year 2010 as part of his compensation for service as our Former President and Chief Executive Officer of our Predecessor. Mr. Ballhaus' stock compensation is reflected in column (e) of the "Summary Compensation Table" above. As of December 31, 2010 all performance-based and service-based RSUs were vested and settled as of the Merger date.

(2) Mr. Ingersoll is a principal of Cerberus Capital Management, L.P. (“Cerberus”) which owns 100% of the Company. As a Cerberus executive, he is not paid by the Company for his services as a director or member of the committees.
(3) Mr. Gaffney, as Chief Executive Officer, is not paid by the Company for his services as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

All of DynCorp International Inc.’s issued and outstanding common stock is owned by the Company, and all of the Company’s issued and outstanding common stock is owned by our parent, DefCo Holdings, Inc. (“Holdings”). The following table sets forth information regarding the beneficial ownership of Holdings’ common stock as of March 8, 2011 by (i) each person known to beneficially own more than 5% of the common stock of Holdings, (ii) each of our named executive officers, (iii) each member of our Board of Directors and (iv) all of our executive officers and members of our Board of Directors as a group. At March 8, 2011, there were approximately 100 shares of common stock of Holdings outstanding.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

The persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address of Beneficial Owner	Amount	Percent of Class
5% Beneficial Owners:		
Stephen Feinberg [(1)] c/o Cerberus Capital Management, L.P. 299 Park Avenue, 22nd Floor New York, NY 10171	100	100%
Directors and Named Executive Officers:		
Steven F. Gaffney	—	—
William L. Ballhaus	—	—
General Michael Hagee (USMC Ret.)	—	—
Brett Ingersoll	—	—
General John Tilelli (USA Ret.)	—	—
Steven Schorer	—	—
Gregory S. Nixon	—	—
William T. Kansky	—	—
Robert Lehman Jr.	—	—
All Directors and Executive Officers as a Group	**—**	**—**

(1) Funds and/or managed accounts that are affiliates of Cerberus own 100% of the common stock of the Company. Stephen Feinberg exercises voting and investment authority over all of such securities owned by affiliates of Cerberus. Thus, pursuant to Rule 13d-3 under the Exchange Act of 1934, as amended (the “Exchange Act”), Stephen Feinberg is deemed to beneficially own 100% of the common stock of the Company. The address for Mr. Feinberg is c/o Cerberus Capital Management, L.P., 299 Park Avenue, New York, NY 10171.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

Since April 1, 2010, we have entered into certain transactions, summarized below, that exceeded $120,000 in amount and in which our related persons — in general, our directors, executive officers and their immediate family members — had or would have a direct or indirect material interest.

Under the master consulting and advisory services an agreement between us and Cerberus, established at the time the Company was acquired by affiliates of Cerberus, we pay Cerberus consulting fees to provide us with reasonably requested business advisory services. The Company paid a total of $690,864 in consulting fees in the 2010 calendar year.

Our Controls for Approving Transactions with Related Persons

Any material transaction involving our directors, nominees for director, executive officers and their immediate family members ("related persons") and the Company or an affiliate of the Company is reviewed and approved by the Chief Executive Officer and Chairman of the Board, following consultation with the Compliance and Risk Committee, who determines whether the transaction is in the best interests of the Company.

Director Independence

The rules of the NYSE provide that a director must have no material relationship, directly or as a partner, shareholder or officer of an organization that has a relationship with us, in order to be an "independent director." The rules of the NYSE further require that all the members of the Audit Committee must be independent. Inasmuch as more than 50% of the voting power of the Company is held by Cerberus, we are a "controlled company" under the NYSE rules. Therefore, under the NYSE rules, we are not subject to the requirements that a majority of the Board be composed of independent directors or that all the members of the Compliance and Risk Committee and the Compensation Committee be independent. In accordance with our Corporate Governance Guidelines, Members of the Audit Committee who are determined by the Board to be independent, if any, within the meaning of our Corporate Governance Guidelines must satisfy the requirements of the NYSE.

The rules of the NYSE provide that a director serving on the audit committee must not have any material relationship, directly or as a partner, shareholder or officer of an organization that has a relationship with us in order to be an "independent director". The Board, upon recommendation of the Compliance and Risk Committee and written submissions by the directors, has determined that the following directors do not have any material relationship with us other than their roles as directors and therefore are "independent" under the NYSE rules.

Independent Directors:
General John Tilelli (USA Ret.)
General Michael Hagee (USMC Ret.)

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the fees billed by Deloitte & Touche LLP, our independent auditors, for our Inception Year and the Predecessor's fiscal year 2010, for audit, audit-related, tax and other services.

Deloitte & Touche LLP	2011	2010
Audit Fees (1)	$2,130,385	$2,313,207
Audit-Related Fees (2)	$ 320,500	$ 152,250
Tax Fees (3)	$ 20,970	$ 7,975
All Other Fees	$ —	$ —

(1) Audit fees principally include fees for services related to the annual audit of the consolidated financial statements, reviews of our interim quarterly financial statements and other filings.

(2) Audit-related fees principally include those for services related to employee benefit plans, statutory audits and SEC registration statements.

(3) Tax fees include domestic tax advisory services related to state and local taxes and international tax advisory services principally related to international tax return preparation and employment tax matters.

GLOBAL LINGUIST SOLUTIONS LLC

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
Global Linguist Solutions LLC
Falls Church, Virginia

We have audited the accompanying balance sheet of Global Linguist Solutions LLC (the "Company") as of December 31, 2010 and the related statements of income, members' equity, and cash flows for the nine month period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Global Linguist Solutions LLC as of December 31, 2010, and the results of their operations and their cash flows for the nine months ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared from the separate records maintained by Delta Tucker Holdings, Inc. and subsidiaries and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated entity. Portions of certain expenses represent allocations made from, and are applicable to, Delta Tucker Holdings, Inc. as a whole.

/s/ Deloitte & Touche LLP

Fort Worth, Texas
March 31, 2011

GLOBAL LINGUIST SOLUTIONS LLC

STATEMENT OF INCOME
(Amounts in thousands)

	Fiscal Year Ended December 31, 2010
Revenue	$ 435,074
Cost of services	(398,470)
Selling, general and administrative expenses	(8,244)
Operating income	28,360
Interest expense, net	(768)
Net income	$ 27,592

See notes to financial statements.

GLOBAL LINGUIST SOLUTIONS LLC

BALANCE SHEET
(Amounts in thousands)

	December 31, 2010
Current assets:	
Cash and cash equivalents	$ 30,915
Accounts receivable	92,003
Prepaid expenses and other current assets	928
Total current assets	123,846
Other assets, net	94
Total assets	$123,940
Current liabilities:	
Accounts payable	$ 62,429
Accrued payroll and employee costs	10,425
Accrued insurance	1,274
Other accrued liabilities	199
Total current liabilities	74,327
Total liabilities	74,327
Commitments and contingencies	
Members' equity	49,613
Total liabilities and members' equity	$123,940

See notes to financial statements.

GLOBAL LINGUIST SOLUTIONS LLC

STATEMENT OF CASH FLOWS
(Amounts in thousands)

	Fiscal Year Ended December 31, 2010
Cash flows from operating activities	
Net income	$ 27,592
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	29,740
Prepaid expenses and other current assets	1,742
Accounts payable	(18,706)
Accrued payroll and employee costs	(3,339)
Accrued insurance	(5,247)
Other	(803)
Net cash provided by operating activities	30,979
Cash flows from investing activities	
Net cash provided by investing activities	—
Cash flows from financing activities	
Borrowings from DynCorp International LLC	317,376
Loan repayments to DynCorp International LLC	(330,410)
Equity contribution	40,000
Payments of dividends to McNeil Technologies	(13,852)
Payments of dividends to DynCorp International LLC	(14,417)
Net cash used in financing activities	(1,303)
Net increase in cash and cash equivalents	29,676
Cash and cash equivalents, beginning of period	1,239
Cash and cash equivalents, end of period	$ 30,915
Interest paid	$ 963

See notes to financial statements.

GLOBAL LINGUIST SOLUTIONS LLC

STATEMENT OF MEMBERS' EQUITY
FISCAL YEAR ENDED DECEMBER 31, 2010
(Amounts in thousands)

Members' equity at April 2, 2010	$ 10,290
Net income	27,592
Equity contribution	40,000
Dividends paid to McNeil Technologies	(13,852)
Dividends paid to DynCorp International LLC	(14,417)
Members' equity at December 31, 2010	$ 49,613

See notes to financial statements.

GLOBAL LINGUIST SOLUTIONS LLC

NOTES TO FINANCIAL STATEMENTS

Note 1 — Basis of Presentation and Accounting Policies

General

Global Linguist Solutions LLC ("the Company" or "GLS" or "Our" or "We") was incorporated on July 12, 2006 under the laws of the state of Delaware, with corporate headquarters in Falls Church, Virginia and is 51% owned by DynCorp International LLC ("DI") and 49% owned by McNeil Technologies ("MT").

INSCOM Contract

In December 2006, GLS was awarded the Intelligence and Security Command ("INSCOM") contract by the U.S. Army for the management of linguist and translation services in support of the military mission known as Operation Iraqi Freedom ("OIF"). GLS began transition work in December 2007 after a series of protests were initiated after the contract was awarded. The final protest was withdrawn in February 2008, and in March 2008, the U.S. Army authorized GLS to continue performance. Under the contract, GLS provides rapid recruitment, deployment, and on-site management of interpreters and translators in-theater for a wide range of foreign languages in support of the U.S. Army, unified commands, attached forces, combined forces, joint elements executing the OIF mission, and other U.S. government agencies supporting the OIF mission. GLS currently and historically has had no other operations outside of performance on the INSCOM contract.

GLS earns revenue on the INSCOM contract based on allowable cost plus 1.5% plus estimated or actual award fee. Allowable costs associated with the contract include both direct and indirect costs. Award fees are awarded quarterly for a maximum of 6% of allowable costs and are based on four major components. These components are (i) fill-rate, (ii) quality of personnel, (iii) cost control management and (iv) small business participation. The award fee dollars are based on a graduated schedule of award fee score.

Fiscal Periods

During fiscal year 2011, our Board of Directors approved a change in our fiscal year from a fiscal year comprised of twelve consecutive fiscal months ending on the Friday closest to March 31 to a fiscal year comprised of the twelve consecutive fiscal months ending on the Friday closest to December 31. This change was made to better align our financial reporting period, as well as our annual planning and budgeting process, to the fiscal year end dates of our two owners.

This report reflects our financial results for the nine month period beginning April 3, 2010, the day following the end of our 2010 fiscal year, and ended on December 31, 2010, which we refer to as fiscal year 2011. The fiscal period ended December 31, 2010 was a 39 week fiscal period.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the customer, costs are identifiable, determinable, reasonable and allowable, and a reasonable contractual basis for recovery exists. We expense pre-contract costs as incurred for an anticipated contract until the contract is awarded. Throughout the life of the contract, indirect costs, including general and administrative costs, are expensed as incurred. When revenue recognition is deferred relative to the timing of cost incurred, costs that are direct and incremental to a specific transaction are deferred and charged to expense in proportion to the revenue recognized.

Management regularly reviews project profitability and underlying estimates. Revisions to the estimates are reflected in results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management. Contract costs on U.S. federal government

contracts, including indirect costs, are subject to audit and adjustment by negotiations between us and government representatives.

Major factors we consider in determining total estimated revenue and cost include the basic contract price, contract options, change orders (modifications of the original contract), back charges and claims, and contract provisions for penalties, award fees and performance incentives. All of these factors and other special contract provisions are evaluated throughout the life of our contracts when estimating total contract revenue under the percentage-of-completion method of accounting.

Award fees are excluded from estimated total contract revenue until a historical basis has been established for their receipt or the award criteria have been met including the completion of the award fee period at which time the award amount is included in revenue.

Operating Segments

GLS operates as a single operating segment.

Cash and Cash Equivalents

For purposes of reporting cash and cash equivalents, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis, including but not limited to, those relating to award fees and allowances for doubtful accounts. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

GLS reports receivables at the net realizable value. We establish an allowance for doubtful accounts against specific billed receivables based upon the latest information available to determine whether invoices are ultimately collectible. This evaluation involves subjective judgments and changes in this evaluation may cause an increase to our estimated allowance for doubtful accounts, which could significantly impact our financial statements by incurring bad debt expense. There were no significant receivables determined to be uncollectable as of December 31, 2010. Given that we only serve the U.S. Army, management believes the risk to be low that changes in our allowance for doubtful accounts would have a material impact on our financial results.

Dividends Paid to Owners

On a periodic basis, GLS declares and pays dividends to its owners, DI and MT, based on their respective ownership percentages.

Fair Value of Cash

The carrying amount of cash approximates fair value.

Income Taxes

We have elected to be treated as a partnership for U.S. income tax purposes which provides that, in lieu of corporate income taxes, the members of the LLC separately account for their pro rata share of the Company's items of income, deductions, losses and credits. Consequently, we are not liable for federal or state income taxes. Accordingly, no provision or liability for income taxes is included in our financial statements.

Concentration

GLS currently and historically has had no other operations outside of performance on the INSCOM contract. All of our revenue and 100% of our receivables is from a single customer, the U.S. Army.

Note 2 — Billed and Unbilled Receivables

During fiscal year 2011, there were no significant issues that impacted our ability to collect receivables. The balance of unbilled receivables consists of costs and fees billable upon payments being made to our applicable subcontractors or supporting documentation being made available to our customer. Virtually all unbilled receivables are expected to be billed and collected within one year.

(Amounts in thousands)	December 31, 2010
Billed	$22,336
Unbilled	69,667
Total	$92,003

Note 3 — Related Party Loan

In accordance with the Termination of Offering Basis Loan Agreement ("Agreement") between DI and GLS dated October 26, 2010, DI no longer provides GLS with its working capital requirements via a loan. GLS repaid the loan in October 2010. The working capital requirements were addressed with the $40 million contribution made by DI and MT of $20.4 million and $19.6 million, respectively.

GLS is no longer a guarantor under DI's Senior Secured Credit Facility in accordance with the Agreement.

Note 4 — Related Party Activities

Overhead allocations from DI

For the fiscal year ended December 31, 2010, DI allocated corporate overhead costs to GLS totaling of $13.1 million. As of December 31, 2010, GLS owed $3.9 million to DI for allocated expenses, which is included in accounts payable balance as of December 31, 2010.

Subcontractor costs from MT

For the fiscal year ended December 31, 2010, GLS incurred service billings from MT of $1.6 million.

Intercompany agreement with DynCorp International FZ-LLC ("DIFZ")

GLS has an agreement with DIFZ, which is a 50% owned consolidated subsidiary of DI. DIFZ provides dedicated human resources professionals and payroll processing services for GLS. The costs charged to GLS are consistent with costs charged to other DI subsidiaries for similar services. As of December 31, 2010, the payable from GLS to DIFZ was approximately $0.1 million. For the fiscal year ended December 31, 2010, GLS incurred costs from DIFZ of $0.6 million.

Note 5 — Commitments and Contingencies

Commitments

We have operating leases for the use of real estate and certain property and equipment, which are either (i) non-cancelable, (ii) cancelable only by the payment of penalties or (iii) cancelable upon one month's notice. All lease payments are based on the lapse of time but include, in some cases, payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms, but most leases have one or more renewal options. GLS real estate leases typically run from three to five years with a reduced termination fee in the event that leases are cancelled as a result of the loss of the INSCOM contract. Rental expense was $1.3 million for the fiscal year ended December 31, 2010.

Minimum fixed rentals required for the next four years and thereafter under operating leases in effect at December 31, 2010, are as follows:

Calendar Year	Real Estate	Total
	(Amounts in thousands)	
2011	$1,474	$1,474
2012	1,515	1,515
2013	647	647
2014	—	—
Thereafter	—	—
Total	$3,636	$3,636

We have no significant long-term purchase agreements with service providers.

Contingencies

We are occasionally involved in various lawsuits and claims that arise in the normal course of business. In most cases, we have denied, or believe we have a basis to deny any liability. While it is not possible to predict the outcome of litigation and other matters discussed below, we believe that liabilities in excess of those recorded, if any, arising from such matters may have a material adverse effect on our results of operations, financial condition or liquidity over the long term.

U.S. Government Investigations

We are occasionally the subject of investigations by various agencies of the U.S. government. Such investigations, whether related to our U.S. government contract or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. government contracting.

U.S. Government Audits

Our contract is regularly audited by the Defense Contract Audit Agency ("DCAA") and other government agencies. At any given time, our contract or systems are under review by the DCAA and other government agencies. We cannot predict the outcome of such ongoing audits and what, if any, impact such audits may have on our future operating performance.

These agencies review our contract performance, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our labor, billing, accounting, purchasing, property, estimating, compensation and management information systems. An adverse finding under a DCAA audit could result in the disallowance of our costs under our U.S. government contract, termination of our U.S. government contract, forfeiture of profits, suspension of payments, fines and suspension and prohibition from doing business with the

U.S. government. Any costs found to be improperly allocated to our contract will not be reimbursed. In addition, government contract payments received by us for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in our government contract.

Note 6 — 401(k) Savings Plans

GLS uses the DI Savings Plan established in 2006. The Savings Plan is a participant-directed, defined contribution, 401(k) plan for the benefit of employees meeting certain eligibility requirements. The Savings Plan is intended to qualify under Section 401(a) of the U.S. Internal Revenue Code (the "Code"), and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under the Savings Plan, participants may contribute from 1% to 50% of their earnings, except for highly compensated employees who can only contribute up to 10% of their gross salary. Contributions are made on a pre-tax basis, limited to annual maximums set by the Code. The current maximum contribution per employee is sixteen thousand five hundred dollars per calendar year. Company matching contributions are also made in an amount equal to 100% of the first 2% of employee contributions and 50% of the next 6%, up to ten thousand dollars per calendar year, are invested in various funds at the discretion of the participant. We incurred Savings Plan expense of approximately $0.5 million during fiscal year ended December 31, 2010.

Note 7 — Subsequent Event

We evaluated subsequent events that occurred after the period end date through March 31, 2011, the date the financial statements were available to be issued. We concluded that no subsequent events have occurred that require recognition within our financial statements for the fiscal period ended December 31, 2010.